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CIA Said to Aid Cambodians Resisting Hanoi

By Charles R. Babcock
And Bob Woodward

WASHINGTON — Secretary of State George P. Shultz met with three non-Communist Cambodian resistance leaders Monday in Thailand and is scheduled to visit a Cambodian insurgent camp on the Thai-Cambodian border Tuesday, a sign of growing U.S. support for non-Communist rebels fighting the Communist regime installed in Cambodia by Vietnam.

But, according to informed sources here, Mr. Shultz's public gesture is actually a complement to a program of covert CIA aid.

According to these sources, the Central Intelligence Agency has been providing millions of dollars a year since 1982 for nonmilitary purposes to two non-Communist Cambodian groups, including more than \$5 million this year.

A senior U.S. State Department official traveling with Mr. Shultz in Asia declined Monday to comment on any CIA involvement in funding the rebels. The Associated Press reported from Bangkok.

The CIA's aid goes through Thailand, the sources said. The goal is to strengthen the two non-Communist resistance groups' position in their loose coalition with the Communist Khmer Rouge.

The Khmer Rouge, under Pol Pot, has been accused of responsibility in killing more than two million Cambodians while they ruled

the country from 1975 to 1979. Vietnam invaded Cambodia, removed Pol Pot, and installed a regime in 1979.

There is a congressional ban on aiding the Khmer Rouge, but liberal Democrats in the House of Representatives have encouraged an effort to give aid openly to the non-Communist insurgents, proposing a grant of \$5 million in military assistance this year.

Several intelligence sources insist that CIA officers in Thailand work closely with the Thai military to ensure that none of the covert aid gets to the Khmer Rouge.

The United States has become more involved in Thailand, where its aid has tripled since the Vietnamese invasion of Cambodia, to nearly \$100 million a year.

This year, Congress has moved to provide overt military support to the non-Communist opposition in Cambodia. Representative Stephen J. Solarz, a New York Democrat, is pushing for \$5 million in such aid, although the House has yet to act.

U.S. officials at first opposed overt military aid, but recently shifted and are supporting a version of Mr. Solarz's provision, already passed by the Senate, that lets the administration decide whether to supply economic or military aid.

Many officials say the effort to strengthen the non-Communist resistance is a long shot. An informed source said, "Of course, if the coalition



George P. Shultz on his arrival in Bangkok Monday.

S. Africa Trade Cut By Canada

Sanctions Due To Apartheid, Ottawa Says

By Michael Parks

LOS ANGELES — Canada has taken steps to curtail its trade with South Africa, announcing some of the broadest sanctions by a Western government so far against the white-minority government for its apartheid policies.

The measures were detailed in a statement made public Sunday in Pretoria and Ottawa.

They include an end to export and investment incentives for Canadian companies doing business with South Africa and restrictions on high-technology sales of "sensitive equipment," such as computers, to South African government agencies and state-owned companies. This is to prevent their use by police and other security forces, the statement said.

The South African Foreign Ministry, which had expected Canada's new Progressive Conservative government to be more sympathetic to Pretoria than the Liberal government of former Prime Minister Pierre Elliott Trudeau, was surprised by the action and had no comment.

The Canadian measures, approved at a weekend cabinet meeting, stopped short of requiring Canadian companies to pull out of South Africa, where they have an investment of \$200 million. Nor does it bar new Canadian investments.

At present, the major Canadian companies doing business in South Africa include Bata Shoe Co., Massey-Ferguson, Alcan and the Ford Motor Co.'s Canadian subsidiary.

Sunday's statement, issued by External Affairs Secretary Joe Clark, cited a "rising tide of racism" in Canada over continuation of apartheid.

Mr. Clark said: "The fundamental changes in South Africa we had hoped for during the past quarter-century have not come about. One tragic incident follows another, and almost 400 South Africans have lost their lives in the past year."

He said that in these circumstances, the persistence of institutionalized racism can only cause a widening rift between our two countries. We regret that, but the time has come for a basic change for the repudiation of apartheid as a concept and a policy.

The announcement said that Canadian companies operating in South Africa will be required to adhere to a code of fair employment practices, ensuring black workers equal treatment with whites, and that exemption from Canadian taxes for such companies would end.

Canada will also phase out over three years its processing of uranium from South-West Africa, a



President Ronald Reagan

2 Are Sentenced to Jail In Hitler Diary Fraud

By James M. Markham

BONN — A former reporter for Stern magazine and a Nazi memorabilia dealer were convicted Monday by a Hamburg court of the invention of the bogus diaries of Adolf Hitler.

Judge Hans-Ulrich Schroeder handed down sentences of four years and eight months in prison for the journalist, Gerd Heidemann, and four years and six months for the self-confessed forger of the diaries, Konrad Kujau, a collector of Nazi-era materials and amateur artist.

The judge sentenced Mr. Kujau's companion, Edith Liebling, to one year in prison. The prosecution had demanded seven years' imprisonment for Mr. Heidemann and six years for Mr. Kujau.

The verdict capped legal proceedings that grew out of the purchase of 60 hand-written diaries between January 1981 and April 1983 by Gruner & Jahr, the owners of Stern, for \$3.7 million (9.3 million Deutsche marks).

At a news conference in Hamburg on April 25, 1983, Stern's editors announced that Mr. Heidemann had secured the purported diaries from a village in East Germany where they had been retrieved by farmers after a plane crash at the end of World War II.

Peter Koch, the editor of Stern, proclaimed that the weekly magazine's scoop would force scholars to rewrite the history of the Third Reich. International publishing companies, including Rupert Murdoch's empire and Newsweek magazine, vied for rights to the diaries. Stern published one article based on the notebooks before examining

Reagan Asserts 5 Nations Aid Terrorists as 'Acts of War'

By Lou Cannon

WASHINGTON — President Ronald Reagan said Monday that Iran, Libya, North Korea, Cuba and Nicaragua, by sponsoring international terrorism, were engaged in "acts of war against the government and people of the United States."

"And under international law," Mr. Reagan said, "any state which is the victim of acts of war has the right to defend itself."

In a speech to the American Bar Association's convention, Mr. Reagan said the five nations had "outlawed governments" that are "united by one simple, criminal phenomenon — their fanatical hatred of the United States, our people, our way of life, our international stature."

The government of Syria, which the United States previously considered a supporter of terrorism, was not mentioned with the others.

The Reagan administration has thanked Syria's president, Hafez al-Assad, for his assistance in freeing the remaining 39 American hostages from a hijacked TWA airliner in Beirut last month, and is seeking his help in obtaining the release of seven Americans still being held in Lebanon.

Mr. Reagan said the list of states he identified as sponsors of terrorism was not all-inclusive. But he asserted that the increase in terrorist incidents in recent years was a result of the increasing involvement of Iran, Libya, North Korea, Cuba and Nicaragua, which he called "a confederation of terrorist states."

"Most of the terrorists who are kidnapping and murdering American citizens and attacking American installations," he said, "are being trained, financed and directly or indirectly controlled by a core group of radical and totalitarian governments, a new, international version of Murder, Inc." This was the popular name for a U.S. crime organization of the 1930s that performed contract killings.

Mr. Reagan said the goal of terrorists is to discredit the United States, disrupt its foreign policy, sow discord between it and its allies, frighten Third World countries and curb U.S. influence.

"Yes, their real goal is to expel America from the world," he said. "That is the real reason these terrorist nations are arming, training and supporting attacks against this nation," he continued.

"And that is why we can be clear on one point: these terrorist states are now engaged in acts of war against the government and people of the United States," he went on. "And under international law, any state which is the victim of acts of war has the right to defend itself."

He vowed that "the American people are not — I repeat not — going to tolerate intimidation, terror and outright acts of war against this nation and its people."

"And we especially are not going to tolerate these attacks from outlaw states run by the strangest collection of misfits, looney tunes and squalid criminals since the advent of the Third Reich," he said.

Mr. Reagan called upon other governments to help wage war against terrorists. "Now much needs to be done by all of us in the community of civilized nations," he said.

"We must act against the criminal menace of terrorism with the full weight of the law — both domestic and international. Mr. Reagan added. "We will act to indict, apprehend and prosecute those who commit the kind of atrocities the world has witnessed in recent weeks." He referred to the American hostages in Beirut who were held for 17 days in June and July.

Sri Lanka and Tamil Separatists Open Talks on Possible Autonomy

By Steven R. Weisman

NEW DELHI — Negotiations between the Sri Lankan government and leaders of the country's major Tamil insurgent groups began Monday in the Himalayan kingdom of Bhutan in what the Bhutanese government said was a "relaxed and friendly atmosphere."

The first substantive discussions were expected to take place Tuesday, the Bhutanese government said.

Bhutan has barred journalists from entering the country to cover the talks, which mark the first time that the various parties have sat down together since the insurgency by Tamil guerrillas began spreading in Sri Lanka two years ago. The guerrillas seek a separate state in Tamil-dominated areas of the nation.

Although he is not a party to the talks, Prime Minister Rajiv Gandhi of India played a key role in bringing them about by putting heavy pressure on the Tamil groups to take part. Most of the groups are based in the southern Indian state

of Tamil Nadu, where they are believed to have set up supply and training bases.

The Indian government, which helped negotiate a cease-fire among the parties last month, made no comment on the talks Monday. A press release issued by the Bhutanese government said the talks were "characterized by mutual understanding and accommodation."

The talks are expected to focus on proposals by the government of President Junius R. Jayawardene for increased autonomy for the northern and eastern parts of the island. Some analysts say that the Tamil guerrillas might be persuaded to lay down their arms if they can secure greater self-government for the areas in which they dominate.

Tamil leaders initially expressed skepticism about the talks after the cease-fire was arranged. Some even talked of boycotting the negotiations.

But after meeting in New Delhi over the weekend with senior Indian officials, representatives of the

Tamil guerrilla organizations boarded planes chartered by the Indian government and flew to Thimphu, the Bhutanese capital.

Taking part are the People's Liberation Organization of Tamil Eelam and the four groups that form the Eelam National Liberation Front: the Liberation Tigers of Tamil Eelam, the Eelam People's Revolutionary Liberation Front, the Tamil Eelam Liberation Organization and the Eelam Revolutionary Organization.

Also in the talks is the moderate Tamil United Liberation Front, which started out as a mainstream Sri Lankan organization until Mr. Jayawardene banned its members from Parliament a few years ago. The front engaged in talks with the government last year, but they broke down in disagreement. The group appears to have little support among the guerrillas.

The discussions are expected to continue through this week.

Reports from Sri Lanka indicate that both sides have charged violations of the cease-fire, but nothing

(Continued on Page 2, Col. 3)

(Continued on Page 2, Col. 2)

At Vietnam 'Wall,' Mementos Pile Up

U.S. Preserving Items Left by Veterans, Families, Friends

By Barbara Cartton

WASHINGTON — One night shortly after the 1982 dedication of the Vietnam Veterans Memorial, someone left a pair of old cowboy boots at the base of the gleaming black slabs.

"They had not been polished or used in a long time," said Jan Scruggs, president and founder of the Vietnam Veterans Memorial Fund. "The parents must have left them there. It was just so eerie."

Shortly after that, Eleanor Winbush left a basket of yellow flowers and the first of more than 20 letters she has since written to her dead son, William R. Stock, who was an army sergeant.

"I had to put something there to bring some warmth to that black wall," said Mrs. Winbush, who is from Glen Burnie, Maryland. "It was just so empty. And people could look at the names, but none of them had any meaning. I wanted to bring something personal to the wall."

Since then, hundreds of war mementos, from Purple Hearts to tear-stained letters, have been left at the memorial by the friends and families of the more than 50,000 who died and by those who served and survived.

Not expecting the volume of souvenirs or knowing what to do with them, the National Park Service periodically collected and stored things in cardboard boxes in government offices.

Now, the Park Service has begun an effort to preserve the most unusual of the memorabilia — the camouflage jungle fatigues, the yellowed pictures of teen-age soldiers, the plastic roses and childhood teddy bears.

"I think we all came to the conclusion that keeping them in cardboard boxes just wasn't right," said Earle Kuttelman, a Park Service spokesman.

There are now cabinets and drawers full of mementos in a 25,000-square-foot (7,000-square-meter) brick warehouse where other Park Service property is stored.

The warehouse is not open to the public, though the Park Service hopes someday to offer limited tours.

There are an estimated 1,300 items in the Vietnam collection, stored away from rain and sun and shielded under controlled conditions where the humidity is kept between 50 and 55 percent. Even the faded plastic roses and the olive-colored



A disabled veteran examines the memorial in Washington.

'I had to put something there to bring some warmth to that black wall. . . .'

The mother of a war victim

cans of cinnamon nut roll C-rations are kept at 20 degrees centigrade (68 degrees Fahrenheit).

The only requirement for inclusion in the collection is that the item must have been found at the memorial, so the wide-ranging collection includes Detroit Tigers and Boston Red Sox baseball caps, worn dog tags ("Anderson, R.C. USMC. 094098. Presbyterian") crumbling high school football



Dizzy Gillespie, a founding father of bebop, will be at the Nice Jazz Festival.

■ The ruling Mexican party claimed victory in Sunday's national elections. Page 3.

■ Egypt, worried by religious strife, acts to restrict Moslem zealots. Page 5.

BUSINESS/FINANCE

■ The EC and the United States reportedly agreed to a one-week truce in their trade dispute over pasta. Page 7.

TOMORROW

As the Pentagon wrestles with problems of cost and quality, many would-be reformers are looking to Europe for solutions.

'Europessimism' to Greet Spain, Portugal

By Richard Bernstein

PARIS — The expansion of the European Community to include Spain and Portugal comes at a time of deep doubt and discomfort among many Europeans about the community itself.

The mood is summed up by the vogueish term *Europessimism*, reflecting the view that Europe is falling increasingly far behind in competition with the United States and Japan.

Lying behind the pessimism is a growing belief, arising from the deep divisions within the EC in the last decade, that the organization is not the vehicle of a European rebirth dreamed of by its founders. Those who hold this view believe that the EC has promoted a modest degree of economic cooperation but is not capable of fostering a genuine "United States of Europe," a once common term that is rarely heard today.

As a result, as Portugal prepares to ratify the entry treaty next week — Spain will do so later this year, and the two countries are expected to become the 11th and 12th members of the community on Jan. 1 — two moods seem to be at war with each other.

One is the hope that the inclusion of the two new democracies, both of which were dictatorships isolated from the rest of Europe well into the 1970s, will energize the whole, open up new vistas for it and give it greater standing as a force in world politics.

But there is also the fear that the



addition of two countries different in character from other members will aggravate the EC's most pervasive problem, the quarrels and divisions that have left the grand goals of unity a hostage to what the Italian writer Luigi Barzini called "squalid quibbling about money."

"There are both positive and negative aspects to the entry of Spain and Portugal," said Jean-François Deniau, a former French minister of foreign trade and the author of two books on the community. "What's positive is that Spain and Portugal belong to Euro-

pean history, and there can be no Europe if countries that have made such a contribution to its culture and identity do not belong."

"But the enlargement of the community to include Spain and Portugal also makes for some difficulties," he said, "particularly difficulties in decision-making. It was difficult enough when the community had six members; it was more difficult when it had 10; with 12, it will be more difficult still."

To a great extent, the entry of Spain and Portugal, which are economically less developed than

Western Europe as a whole, was guided by the original vision of the Common Market, as a political entity tying Europe together.

When, under the stewardship of such leaders as Konrad Adenauer of West Germany and Jean Monnet of France, six countries created the original Common Market in the 1950s, their overarching goal was a political and economic integration that would, in the first instance, make war among Western European nations impossible.

The specific, practical goal was

(Continued on Page 2, Col. 3)

In Spain, Austerity And Political Drama

Popularity of González Under Strain In Conflict Over Pension and Job Cuts

By Edward Schumacher
New York Times Service

MADRID—Prime Minister Felipe González, after nearly three years in office, remains highly popular despite Spain's depressed economy. But the problems have begun to take their toll. Last week, Mr. González gave his squabbling

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cabinet a radical shake-up, replacing six of 15 ministers, including the most powerful, Miguel Boyer, minister of the economy.

One of the prime minister's biggest problems has been dealing with labor. Unemployment has risen to 22 percent, the highest in Europe. Mr. Boyer was one of the prime movers behind an austerity program making dismissals easier and pension eligibility harder.

Nicolas Redondo, head of the General Union of Workers, a group allied with the Socialists, hailed Mr. Boyer's removal as a victory but warned of possible conflict ahead.

"We will give a margin of confidence to the new government, which does not mean giving it a blank check," he said.

Mr. Redondo had been under pressure for a tougher stand by the Communist-led workers' commissions, which called a one-day strike two weeks ago on the pension issue.

The government said that only 10 percent of the work force struck, but transportation was chaotic in some places and many factories in the industrial centers of Barcelona, Bilbao and Valencia were shut.

The pension changes were the immediate target and the strike had enough strength to induce the Socialists to offer a revision of a plan the party had pushed through the lower house of parliament.

The compromise would soften provisions requiring people to work 15 years and pay into the plan for at least eight years before being eligible. But Mr. González served notice that the sweeping change of ministers would not affect the policy of austerity.

Although clashes of individuals were a major factor in the cabinet upheaval, in the background was a wider struggle between Socialists and Communists to dominate Spanish labor. All but government-controlled unions were banned un-

der Generalissimo Francisco Franco, who died in 1975.

The Communists, as a clandestine group, were better organized and emerged quickly as the most powerful union force. But the Socialists have caught up. Today, each controls about a third of the organized workers; the remainder are divided among the anarchists and regional unions, as in Galicia and the Basque country.

Mr. Redondo accused the workers' commissions of opportunism and refused to take part in the strike. But the two confederations buried the hatchet long enough to join in a protest march.

At the moment, Prime Minister González can afford to resist the unions. They represent only 20 percent of the work force. They never fully recovered from the Franco era and the growth of the service and technology industries has cut into manufacturing, their key base.

While the unions rely on party affiliations for their identity, they look to the government for money. A government-controlled union fund built by contributions from workers and businesses under the Franco regime today holds nearly \$2 billion. The unions have been living largely off that.

The Communist threat to Mr. González, moreover, often appears exaggerated. Few members of the workers' commissions are card-carrying Communists. The Communist Party commands only about 4 percent of the vote.

Mr. González concluded a pact last fall with business groups and unions seeking to balance austerity, economic flexibility and social justice with economic modernization.

The pact held wages near the inflation rate, limited strikes, and called vaguely for a tightening of pension eligibility and loosening of Franco-era laws that made it difficult to dismiss a worker.

In return, the government expanded unemployment benefits. Despite a boycott by the workers' commissions of the negotiations, the agreement has been highly successful in reducing strikes.

This may not last. Among Socialists, Mr. Redondo remains a somewhat feared figure. As he noted recently, "The interests of the government and the interests of the unions are very different."



Felipe González.

informed by a foreign visitor, President Richard von Weizsäcker of West Germany.

The Bonn official learned of it when he met with Prime Minister González, who made the decision two days earlier, according to sources close to the prime minister, but did not advise Mr. Morán.

The sources said Mr. González had dismissed Mr. Morán because of personality differences and what he saw as coyness by Mr. Morán over whether he would campaign for Spain to remain a member of the Atlantic defense alliance. The issue is to be put to a referendum.

Canada Sets Trade Curbs

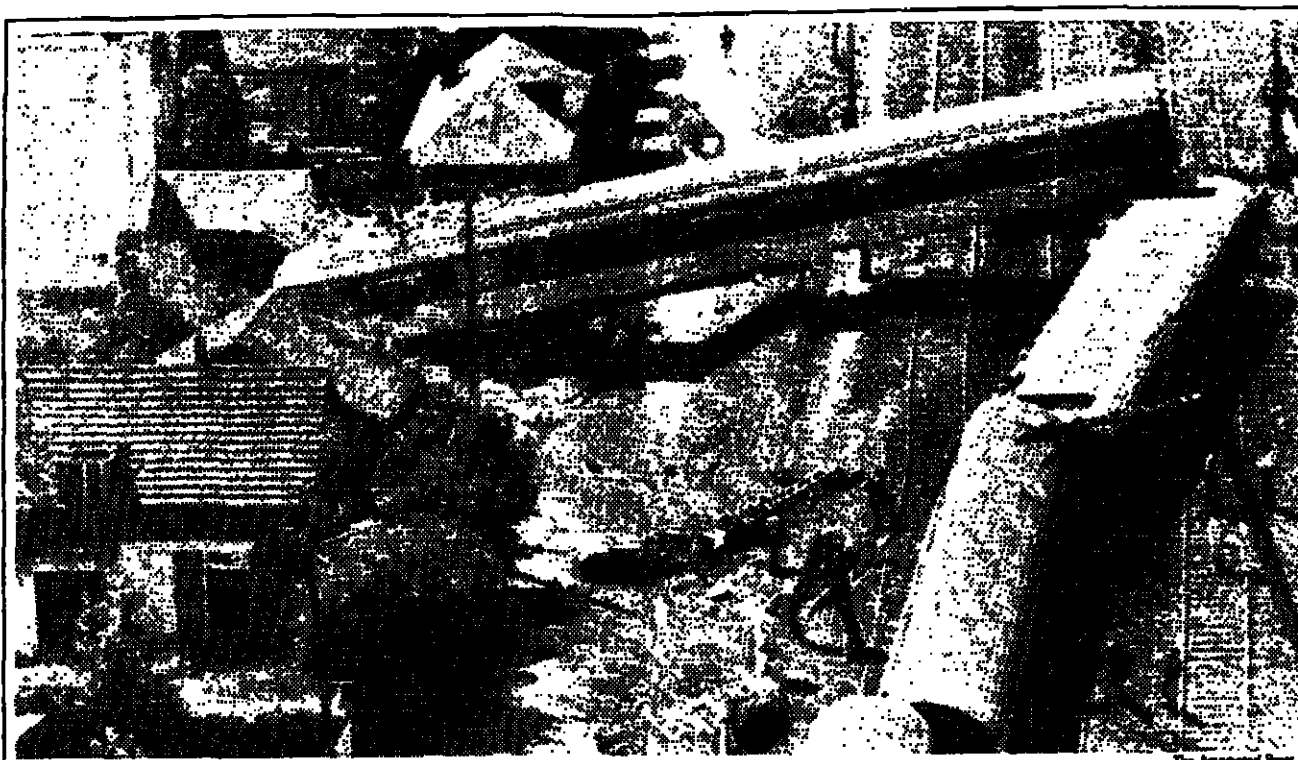
(Continued from Page 1)
rity that South Africa administers in defiance of UN resolutions calling for its independence.

Sales of South Africa's gold Kruggerand coins will be discouraged by the government, Mr. Clark said, although such sales will not be formally prohibited because of international trade agreements.

"It is a first step," he said of the measures. "There will be others taken over the next year to 18 months."

West Germany called last week on its companies to do more to promote racial integration and black advancement in South Africa. West Germany is a large foreign investor in the country and, along with the United States, Britain and Japan, one of its most important trading partners.

In Washington, the Senate is deliberating on proposed U.S. sanctions against South Africa. A bill approved last month by the Senate Foreign Relations Committee would bar bank loans to the South African government or state-owned companies, prohibit computer sales to security forces and end cooperation in nuclear energy.



8 Killed as Train Hits Trailer-Truck in Normandy

Eight persons were killed Monday and 55 injured when the Le Havre-Paris express moving at 100 mph and carrying 500 passengers struck a trailer-truck in Saint-Pierre-du-Vauvray,

60 miles northwest of Paris. The truck driver was killed. Witnesses said the truck got stuck between crossing barriers and the driver was trying to back off when the crash occurred.

Pessimism Gripping EC as Spain, Portugal Enter

(Continued from Page 1)
to integrate West Germany into a web of relationships and alliances with the United States and with Western Europe, that would offer it a secure place in world affairs.

For Spain and Portugal, there is a parallel goal, European officials say. The intention is to create a network of ties and alliances that will bring the two countries into the West European mainstream.

Membership, for example, includes not only economic arrangements but also participation in such institutions as the European Court of Justice and the European Parliament.

"From the purely economic point of view there was no real reason for Spain and Portugal to join the community," said Alexander Schaub, a staff member of the European Commission, the EC's executive staff in Brussels.

"The basic purpose of their membership was to achieve long-term clarity and stability. If they know that they are definitely part of the community, they will have a stable context for the future."

Some concrete effects are anticipated, one of them directly affecting the Atlantic alliance. Spain will find it easier to remain a member of the alliance now that it has been accepted into the EC, officials say. The issue will be put to a referendum there next year.

Another result, commonly mentioned but less certain, may be new EC avenues to the Arab world and to Latin America, with which Spain, in particular, has special ties of history and culture.

Still, the new members are entering the community at a time of considerable public and official skepticism over its ability to transcend national differences and move closer to real unity.

"It should not astonish us that in each of the state members, the community is a scapegoat for national difficulties," said Simone Veil of France, a former president of the European Parliament, told a French magazine recently. "The community no longer knows where it is or what it wants; or perhaps the members no longer know what it is that they want from the community."

The documents that created the Common Market envisaged a genuine economic integration, with free trade and the end of restrictions on the flow of money, goods and technology. A specific element of the vision, in those optimistic times, was the emergence of transnational industries that would replace the multiplicity of national enterprises with their tendency to compete rather than cooperate.

Beyond that, the founders hoped that economic integration would lead automatically to higher degrees of political and military cooperation. There were hopes that the European Commission would become an overall government, that there would eventually be common defense and foreign policies and that a concept of European citizenship would emerge, in which people would view themselves less as Italian or a French than as members of a larger community.

But much of this vision foundered in the face of what some scholars see as a conspiracy by national enterprises to hold on to their power and prerogatives.

Indeed, the EC remains first and foremost an agricultural customs union and a highly complicated network of farm price subsidies.

There is no common military program among the group, although all but Ireland belong to the Atlantic alliance; there is no transnational industrial policy; and differences arising from national pride and local laws have prevented the elimination of all economic barriers.

"In fact, the European revolution never took place," said Lindsay Armstrong, the editor of 30 Days of Europe, a monthly publication on EC affairs.

Perhaps the entry of Spain and Portugal indicates above all that despite the forces against it, the concept of a united Europe remains an important goal, one that the two countries felt was worth working for.

"Some people believe that the process is unbearably slow," a British official said. But he argued that the pace reflected the community's growth.

"For Spain and Portugal to get in," he said, "the number of specific items that had to be negotiated was far more than it was for Britain in 1973, but that's because the network of community relations is that much greater."

Sri Lanka Opens Talks With Rebels

(Continued from Page 1)
serious enough to undermine the negotiations. Some splinter guerrilla groups are not part of the cease-fire.

Although the Tamil groups continue to say they favor an independent nation, known as Tamil Eelam, many analysts believe they might be satisfied if the government proposes to increase the autonomy of the northern and eastern parts of the island, where Tamils predominate.

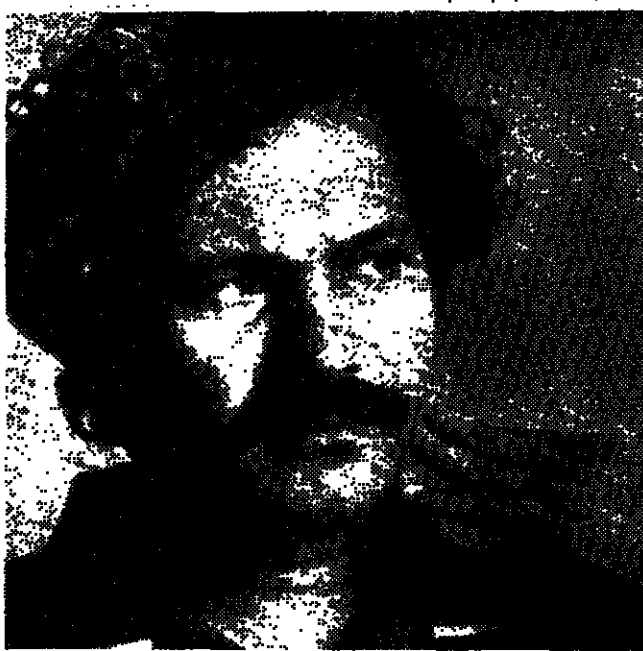
But many of the analysts also question whether Mr. Jayawardene will come forward with autonomy proposals that will satisfy the guerrillas.

A Tamil insurgent leader said in an interview here Sunday that the Sri Lanka government delegation appeared to consist mostly of technicians rather than political figures, which he said suggested that they would have little latitude to negotiate.

"We are not fighting for the sake of fighting," said K. Umamaheswaran, secretary-general of the People's Liberation Organization of Tamil Eelam. "We are not seeking a separate state for the sake of separation. We are trying to protect the basic rights of the Tamil people."

He added, "If the Sri Lanka government proposes something which can protect the basic rights of the Tamils, and if they implement it, we will consider it."

The insurgency stems from a longstanding rivalry between the Tamils, who are Hindus, and the Sinhalese, who are Buddhists and



K. Umamaheswaran: 'Not fighting for the sake of fighting.'

make up about three-quarters of the island's population.

As recently as January, Mr. Jayawardene, a Sinhalese, vowed that he would not talk to any of the guerrilla leaders, "even if I am dragged to them by an elephant."

But after that declaration, the insurgency spread, with hundreds dying each month.

The violence culminated in a raid by Tamil guerrillas in the holy Buddhist township of Anuradhapura, in which nuns, women and children were among those killed.

The economy of the island has been devastated by the fighting.

Mr. Jayawardene said recently that he was prepared to challenge those within his own camp who are counseling a hard line against the guerrillas. He has sent his brother, Hector Jayawardene, as the principal delegate to the talks, rather than a senior member of his cabinet.

2 Sentenced To Prison in Diary Fraud

(Continued from Page 1)

publishing house did not care about the notebooks' authenticity and wanted a circulation-boosting sensation at any cost.

Without openly embracing the defense lawyer's thesis, Judge Schroeder chastised Gruner & Jahr and Stern. He said that the organizations' negligence had persuaded him to soften the sentences against the two main defendants.

The judge denounced "the bunker or plot mentality" at Stern that prevented its editors from making even elementary checks of the diaries.

One of the mysteries left unresolved by the trial was the division of the money between Mr. Heidemann and Mr. Kujan. The judge said that Mr. Kujan had pocketed \$900,000, while Mr. Heidemann could not account for \$700,000.

After the two men were arrested, Stern initiated a separate proceeding in Hamburg to try to recover the lost money. A spokesman for the magazine said that he did not know what would happen to the case.

■ Heidemann Is Freed
Mr. Heidemann was freed Monday afternoon pending his appeal. The Associated Press reported. Mr. Kujan remained in jail because of an arrest warrant for tax evasion that is outstanding against him in Stuttgart.

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WORLD BRIEFS

Managua Foreign Minister Starts Fast

MANAGUA (Reuters) — Foreign Minister Miguel d'Escoto Brockmann has left his post to begin a fast in protest U.S. opposition to Managua's leftist government.

Father d'Escoto, who is a Catholic priest, was suspended by the Vatican last year for refusing to give up his government position. After attending an evening Mass Sunday, Father d'Escoto installed himself in an auditorium next to a church and called a press conference at which he said he would fast and pray for an "indefinite period of time."

He issued a statement saying: "I will continue in prayer and fasting until evangelical insurrection is ignited in Nicaragua and until this spark is multiplied in actions of solidarity by women and men of good will in North America, Latin America, Europe and the Third World." He said President Daniel Ortega Saavedra had given him permission to leave his post to carry out the fast. Deputy Foreign Minister Victor Tinoco will take over in his absence.

Meeting Set on U.S. Budget Deadlock

WASHINGTON (UPI) — President Ronald Reagan will meet Wednesday with Senate and House conferees in an attempt to break a deadlock over the 1986 budget, but he will resist any move to increase taxes, a spokesman said Monday.

The congressional negotiators have suspended their talks. The budget plan passed by the Senate calls for a freeze on cost-of-living increases for Social Security retirement and disability benefits next year while the military is given an inflation adjustment; the House plan seeks the opposite.

The spokesman, Larry Speakes, said Mr. Reagan would not go along with a proposal by Senator Lawton Chiles, Democrat of Florida, for a tax on corporations and individuals who pay no taxes. Mr. Speakes did not comment directly on a suggestion by Thomas P. O'Neill Jr., a Massachusetts Democrat who is speaker of the House, to more heavily tax Social Security benefits paid to affluent retirees. But he said, "I just don't see us accepting any taxes."

Britain Lifts Ban on Argentine Trade

LONDON (AP) — In an attempt to normalize relations, Britain announced Monday it was lifting a ban on imports from Argentina imposed at the start of the 1982 Falklands war.

Britain called on Argentina to lift a similar ban on British products and make trade "a two-way street," but reiterated its refusal to discuss the issue of sovereignty of the Falklands, a British colony 300 miles (486 kilometers) off the coast of Argentina. The islands are known in Argentina as the Malvinas.

The British announcement was made in both houses of Parliament as Britain's foreign secretary, Sir Geoffrey Howe, flew to Brazil. The ban was to be lifted as of midnight Monday. Argentine exports to Britain were worth more than \$180 million in 1981.

U.K. Accepts EC Auto Emission Pact

BRUSSELS (AP) — Britain will join an agreement by eight of the 10 European Community nations to curb pollution from automobiles, a British spokesman said Monday.

The spokesman, who attended a meeting of EC finance and economy ministers, said Britain has lifted its reservations on the agreement, which limits emissions from car exhausts and will gradually come into force starting in 1988.

Denmark is now the only member state that dissented from the June 23 agreement. It argued that the anti-pollution criteria for nitrogen oxide emissions of medium-sized cars were insufficient. Medium-sized cars, the most numerous in Europe, are considered the main source of auto pollution. The restrictions are to be introduced on cars with engines bigger than 122 cubic inches (2,000 cubic centimeters) starting in 1988, on small cars in 1990 and medium cars in 1991.

Ulster Police Criticized Over Parades

LONDON (NYT) — The police in Northern Ireland, who bowed to pressure from Loyalists on Sunday and allowed a Protestant march through a Catholic area of Portadown in County Armagh, were facing criticism from Loyalists and Catholics alike on Monday.

The police, who originally did not want to allow marchers from the Orange Order to parade down Obins Street changed their mind and allowed the parade to proceed but said the route would be changed for traditional parades this Friday and Saturday.

Peter Barry, the Irish foreign minister, called the decision to let Sunday's march proceed "a mistake of judgment" and said that it "demonstrates an incapacity on the part of the Royal Ulster Constabulary to understand nationalist feeling." Seamus Mallon, the deputy leader of the Social Democratic and Labor Party, a nationalist party that opposes the Irish Republican Army, said the decision was "another absolute victory" for Orangism and Unionism over the British government.

Alan Wright, a local Orange Order leader and the son of a policeman killed by the IRA, said after the march that Loyalists would not accept any retreating later this week. "It will be resisted, and I can guarantee that if it is not, we will have 100,000 Orangemen on Portadown on Friday."

For the Record

Yuri Belorukovskoy said Monday in Moscow that he has ended a 100-day hunger strike — interrupted for two weeks of forced hospitalization — for an exit visa to join his wife and two daughters in Baltimore. Denied a visa for six years, Mr. Belorukovskoy, 36, said he had been promised one within two months but added that "they have made such promises and broken them before."

King Juan Carlos of Spain arrived Monday in France for a three-day state visit that officials said was expected to focus on Spain's entry Jan. 1 into the European Community.

Libya will ban Egyptians from working in the country in retaliation for similar treatment of Libyans in Egypt, the Libyan press agency IANA said Monday.

Lebanese Sunni, Shiite and Druze leaders met Syrian officials Monday in Damascus for talks on stopping fighting among Moslems in West Beirut and on reviving a political dialogue.

John C. Whitehead was confirmed Monday by the U.S. Senate as deputy secretary of state, the second-ranking position at the State Department.

Reagan Says 5 Governments Aid Terrorists Against U.S.

(Continued from Page 1)
killing of four U.S. Marines in El Salvador on June 19.

"There can be no place on Earth left where it is safe for these monsters to rest, or train or practice their cruel and deadly skills," he declared. "We must act together, or unilaterally if necessary, to insure that terrorists have no sanctuary, anywhere."

Similar warnings that the United States reserves the right to take unilateral action have been voiced by Secretary of State George P. Shultz. But Mr. Reagan called for no specific action Tuesday other than repeating a U.S. demand that Beirut's international airport "be made safe" or closed down.

Administration sources said that after the El Salvador killings, Mr. Reagan ruled out retaliatory action recommended by some of his aides on the ground that such action would imperil innocent civilians.

In his speech, Mr. Reagan noted that the Soviet Union has "a close relationship with almost all of the terrorist states I have mentioned." He was sharply critical of Soviet statements during the hostage crisis, particularly statements that the United States had been in the grip of "hysteria" and had sought to use the crisis as a pretext for military invasion of Lebanon.

"Now, ladies and gentlemen of the American bar, there is a non-Soviet word for that kind of talk, an extremely useful, time-tested original American word, one with deep roots in our rich agricultural and farming tradition," Mr. Reagan said to laughter and applause from the delegates.

In citing examples of how the nations he named sponsored terrorism, Mr. Reagan said the leftist Sandinist government of Nicaragua was involved in the attack in El Salvador. But he did not say how he knew that Nicaragua was involved in this episode.

The president also said that "we have evidence" that "vicious terrorists" from Italy, West Germany, Ireland, Spain and the Palestine Liberation Organization "have found a haven in Nicaragua and support from that country's communist dictatorship."

Speaking of other nations, Mr. Reagan said, "In 1983 alone, the Central Intelligence Agency either confirmed or found strong evidence of Iranian involvement in 57 terrorist attacks."

Most of these attacks occurred in Lebanon, he said. But terrorist activity by those "sympathetic to Iran" has increased throughout Europe, he added.

"We have evidence that links Libyan agents or surrogates to at least 25 incidents last year," Mr. Reagan said. Colonel Moamer Qadhafi's "outrages against civilized conduct are, of course, as infamous as those of the Ayatollah Khomeini," Iran's leader.

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Ruling Party in Mexico Sees Victory in Election

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Ruling Party U.S. Supreme Court, After Conservative Trend, Turns Back to the Center

In Mexico Sees Victory In Elections

By Al Kamen
Washington Post Service

MEXICO CITY — The long-ruling Institutional Revolutionary Party has claimed victory in gubernatorial elections in two states where it had faced strong challenges, but the main opposition party alleged that there had been widespread vote tampering and fraud.

Mexicans voted Sunday for governorships in seven of the country's 31 states, for 400 seats in the Chamber of Deputies, and a handful of state and municipal posts. The official results are to be announced Sunday.

The governing party claimed an overwhelming victory. "We can affirm that we obtained clear triumphs," a party spokesman, Juan Saldaña Rosell, said in a statement. He said the claim was based on polling results from around the country and included all seven gubernatorial races.

Earlier, in heavily industrialized Nuevo León, along the Texas border, and the rich agricultural state of Sonora, just south of Arizona, it was thought that the opposition National Action Party might become the first opposition party to win a governorship in more than 50 years.

Shortly after the polls closed Sunday evening, President Miguel de la Madrid's Institutional Revolutionary Party, which has been in power since 1970, claimed victory for its candidates in Sonora, Rodolfo Félix Valdes, and in Nuevo León, Jorge Trevino, although it acknowledged not having the full results.

Supporters of the opposition rightist party alleged even before the voting ended that the ruling party had engaged in vote fraud.

In Monterrey, capital of Nuevo León, citizens in one neighborhood said they had forcibly opened a ballot box before voting began and found it stuffed with ballots for the ruling party.

The editor in chief of the state's principal opposition newspaper, El Norte, said his journalists reported 12 cases of polling stations being held up by armed men who stole ballot boxes.

Opposition party officials claimed that the heavy turnout favored their candidates in both states.

"The vote was clear," Adalberto Rosas López, the opposition gubernatorial candidate in Sonora, said Sunday night. "There was no doubt of it. I won, but they committed fraud and cheated us. The people voted for a change but the official party did not allow it."

"This removes the democratic mask of this government," he said. Fernando Canales Clarifon, the party's gubernatorial candidate in Nuevo León, echoed the allegations of fraud, and said, "We won't let the maximum authorities wash their hands of this."

The ruling party was not considered in danger of losing its tight grip on the political system. But three years of economic crisis and austerity have eroded some of the party's popularity among the middle and working classes, bolstering support for the conservative opposition.

(AP, Reuters)

U.S. Supreme Court, After Conservative Trend, Turns Back to the Center

By Al Kamen
Washington Post Service

WASHINGTON — The Supreme Court, which last year seemed to take a sharp turn to the right, this year returned to a more centrist position, deciding almost half of its civil liberties cases in favor of individual rights and pointedly reaffirming the separation of church and state.

Although the court generally upheld the police powers of the states and the federal government, the justices did expand a handful of the landmark cases granting rights to criminal suspects.

During the 1984-85 term, that ended last week, the moderate center that has dominated the court for most of the last 16 years eased the court back to its traditional moderate position.

Civil libertarians expressed elation, while the Reagan Justice Department puzzled over what went wrong in its effort to push a conservative agenda.

U.S. Solicitor General Rex E. Lee said the administration had some "major disappointments this term," especially in its effort to lower constitutional barriers between church and state.

In four major cases, a narrow majority voted to draw a solid line between the government and church-run schools. A 5-to-4 majority ruled not only that a Michigan program of open-ended aid to parochial schools was unconstitutional, but also that New York City could not use federal funds to send public school teachers into religious schools under a program to help disadvantaged students.

The legal director of the American Civil Liberties Union, Burt Neuborne, who called last year's court record "truly appalling," said

that the court had "returned to the role it has played historically as a defender of the individual."

The difference between the two terms was the court's key swing vote, Justice Lewis F. Powell Jr. Justice Powell sided with conservatives consistently during last year's term, but this year pulled in the opposite direction.

When Justice Powell voted on almost any case, he tended to tip the scale. He was on the losing side only six times in 89 decisions in which he participated this term. In 18 cases where the court split 5-4, he was in the majority 14 times.

Mr. Neuborne said Justice Powell was now "the most powerful individual in America." Mr. Powell, 78, a moderate from Virginia appointed by President Richard M. Nixon, sided with the liberals this year more than he has in any of his 14 years on the court.

Conservatives such as Bruce E. Fein, who analyzes the court for the American Enterprise Institute, said last week that he was surprised when the administration "suffered several defeats" in several areas in what he called a term of "pause and irresolution."

Mr. Fein said he was optimistic last fall that the court would lower the barriers to church-state separation. The Supreme Court in recent terms had approved a city government-sponsored Christmas nativity scene, state tax deductions for religious church tuition and a state-paid chaplain for the Nebraska legislature.

"Everything that seemed to have been won," Mr. Fein said, "went out very quickly," as the court, in addition to the parochial school cases, reaffirmed its disapproval of teacher-led prayer in public schools and struck down a law that gave employees who are religious greater rights than nonreligious workers.

"State officials misread the court

Burger Calls Some Lawyer Ads 'Shysterism'

Washington Post Service

WASHINGTON — Chief Justice Warren E. Burger, long an opponent of advertising by lawyers, has told an American Bar Association commission that some of the ads are "sheer shysterism."

"I will never — my advice to the public is never, never, never, under any circumstances, engage the services of a lawyer who advertises," Justice Burger told the Commission on Professionalism meeting Sunday.

"I am not ready to say that publicly yet, but someday I will," Justice Burger told about 30 persons at the unpublished session that was

part of the bar association's weeklong convention in Washington.

No association material listed him as the speaker, but the meeting was open to anyone who wished to attend.

The chief justice said he approved of bar associations publicizing their lawyer referral services as a way to reach the public. But, he said, "Any idea we need the kind of advertising I am addressing... the kind that I call sheer shysterism, is nonsense." If he were a private lawyer again, he said, he would "dig ditches" before resorting to advertising.

The bar association generally supports advertising by lawyers if it is not false or misleading.



Warren E. Burger

as having moved all the way toward the authoritarian end of the spectrum," said Laurence H. Tribe, a Harvard Law School professor and constitutional scholar.

"It was testing," last year, Mr. Tribe said, "but it had not gone all the way." Conservatives were pushing the justices "so far so fast that they may have recoiled from an invitation to join the new right. It was an offer the court could readily refuse."

The Reagan administration, however, did win a substantial number of cases in which the justices backed executive branch prerogatives, and the administration generally had its way in criminal cases.

Justice Department figures show the government won 80 percent of its cases overall, down from an extraordinary 87 percent a year ago. But the cases it lost this year often were the most important cases, a reversal of last year's record.

Overall, the justices this term gave much greater weight to individual rights as opposed to government power.

certain groups, such as the retarded, differently from anyone else.

In a major case involving the balance of power between the states and the federal government, Justice Harry A. Blackmun, a centrist, changed his mind this year and the court decided that the 10th Amendment did not protect states from federal laws regulating the wages and hours of state or local employees. The case overturned a ruling nine years ago, in which Justice Blackmun voted the other way.

The court, according to former deputy solicitor-general Philip A. Lacovara, generally struck down state laws that discriminated among their own residents or set up distinctions between state and out-of-state residents. It overturned residency requirements for a tax break for veterans, residency requirements for lawyers and breaks for local, as opposed to out-of-state, insurance companies.

But while the justices several years ago exposed local and state governments to a barrage of anti-

trust suits, this term the justices heightened protections against such suits in two cases that "much more directly affected pocketbooks," Mr. Lacovara said.

"Where there is elbow room to interpret federal statutes in favor of state autonomy, the Supreme Court gives states the benefit of the doubt."

The last term seemed quieter than recent terms. There were fewer signed opinions — 140 as opposed to 151 in each of the preceding two terms — and a number of important cases were decided by the votes because of Justice Powell's absence.

He missed 56 cases because of surgery for a cancerous prostate.

The justices also ducked constitutional questions whenever possible, deciding several major cases on narrow grounds that resolved the individual case but did not touch on broader questions.

The term has already sparked debate among law professors over whether last year was an aberration or this year was the calm before a conservative storm.

Mr. Tribe said that a year ago the court was "on the precipice and no one could say whether it was going to leap or step back." He said this term was a source of relief to civil libertarians because the court stepped back.

But he called the most recent term a "dicey situation," with the court making decisions on a case-by-case basis and in close votes.

Conservatives said they hope that one or two key Reagan appointments would make the difference.

Although the justices, including Justice Powell, appear to be in good health and seem bent on staying on the court as long as they can, five of them are over 76.

U.S. Hospital Chains Sell Insurance In Challenge to Nonprofit Companies

By Martin Tolchin
New York Times Service

WASHINGTON — Several large private hospital chains have expanded into health insurance, a move that many experts predict will significantly alter the health care industry.

The Hospital Corporation of America, Humana, American Medical International and National Medical Enterprises are among the private, profit-seeking hospital chains that are mounting a direct challenge to Blue Cross-Blue Shield and other nonprofit health insurance companies.

Barely a year old, hospital chain insurance already has about a million subscribers, according to company officials.

"What we are seeing is a major structural change in the health care delivery system in the United States," said Royce Diener, chairman of American Medical International of Beverly Hills, California, a chain of 129 hospitals. The chain's year-old American health insurance plan has 400,000 subscribers.

Insurance costs less with these companies when subscribers use their hospitals, clinics and physicians. Company officials say this gives patients rather than doctors control over where they get care. But critics see less flexibility in

health care and say the companies are trying to fill their hospital beds. In many hospitals in the United States, less than half the beds are occupied.

The nonprofit companies still dominate the field, but Blue Cross-Blue Shield has begun to provide discounts, rebates and alternative insurance plans at lower prices.

There are major differences between chain and nonprofit insurance operations.

Unlike the locally based Blue Cross-Blue Shield programs, hospital chain insurance is nationally oriented. Uwe E. Reinhardt, professor of political economy at Princeton University, said, "All these years Americans have wanted local control of health care, but increasingly it will be dominated by national chains, sitting in Louisville, Nashville and Beverly Hills and making health policy for the entire nation."

While Blue Cross-Blue Shield takes "high risk" patients and does not cancel coverage because of high use of benefits, most hospital chain insurance plans have a cap on lifetime benefits. For example, PriMed provides a lifetime maximum benefit of \$250,000 for those who do not use the chain's hospitals, and \$500,000 for those who do. PriMed is the health insurance program of the Hospital Corporation of America, which owns and operates 360 hospitals.

While hospital chains seek to steer insurance subscribers into their hospitals by offering substantial discounts, said Michael Bromberg, executive director of the Federation of American Hospitals, an organization of hospital chains and other private hospitals, "Blue Cross has been historically committed to total freedom of choice."

The varied nature of insurance plans makes it difficult to compare costs, Mr. Bromberg said. But other experts estimated that the chain's insurance policies cost 10 to 15 percent less than Blue Cross and Blue Shield premiums, if patients used the chain hospitals.

Henry Weirmon, president of Humana Care Plus, the insurance program provided by the 84-hospital Humana Corp., said, "Sixty percent of health insurance costs go for the hospitals. Because we own

and operate hospitals, we are in a much better position to initiate cost savings than a traditional insurance company that offers freedom of choice."

Humana Care Plus, barely a year old, has 250,000 subscribers and anticipates 600,000 by 1986.

American Medical International was the first hospital chain to purchase an insurance company, Fidelity Interstate, so as to qualify to sell health insurance in various states. Insurance companies also have been purchased by Humana, which set up Humana Care Plus; Hospital Corporation of America, which set up PriMed; and National Medical Enterprise, which set up HealthPace.

Many experts say the hospital chains are reshaping the health insurance industry.

"Conventional health insurance is dead," said Dr. Paul Ellwood, a health specialist who conceived and named both Health Maintenance Organizations, insurance plans that require subscribers to choose their doctors from a specific list, and Preferred Provider Organizations, in which subscribers get a discount on their health care fees if they choose from listed physicians.

The American Medical Association has initiated a study of the effects the hospital chains are having on the practice of medicine, according to Jean Brivogel, a spokesman. She said the findings would probably be completed and made public in December.

Many experts view the new trend as a direct result of the change in federal health reimbursement policies under the Medicare and Medicaid programs, which provide health care and health insurance for the elderly and the poor. The federal government is replacing its practice of reimbursing hospitals for health care costs, which many considered an incentive to spend, with a system of predetermined payments for various diseases.

■ Medicare Cut Again

The Reagan administration has announced more than \$225 million in additional cuts in Medicare spending, to be achieved through new limits on payments for medical education and home health care. The Associated Press reported from Washington.

U.S. Reports Income Gap Widens Between Rich, Poor

By Spencer Rich
Washington Post Service

WASHINGTON — The gap between income groups widened from 1980 to 1983, as the wealthiest families in the United States boosted their share of after-tax income at the expense of other households, a congressional report shows.

The report, released Sunday by Representative William H. Gray 3d, a Democrat of Pennsylvania who is chairman of the House Budget Committee, and Representative David R. Obey, a Democrat of Wisconsin who is chairman of the Joint Economic Committee, was based on a Census Bureau study of after-tax income of households in 1983.

It said that the one-fifth of U.S. households making up the top income bracket, or those with after-tax income above \$29,763 in 1983, received 42 percent of all after-tax income in 1983, compared with 40.6 percent in 1980.

The report said all other groups of households had a lower share of national income after taxes in 1983 than in 1980.

"The lowest fifth of households received 4.7 percent of after-tax income in 1983 compared with 4.9 percent in 1980, the report said. The next-to-lowest fifth fell from 11.6 percent to 11.1 percent. The middle fifth fell from 17.9 percent to 17.3 percent. The fourth group fell from 25.1 percent of all after-tax income to 24.8 percent.

The report said the increase for the top fifth represented a shift of \$25 billion in income, or about \$1,480 per household more than if the income distribution had not changed since 1980.

For those at the top — the 5 percent with household income above \$46,288 after taxes — the shift meant \$3,320 more income per household.

The report said 1980 tax changes that reduced income taxes for the well-to-do were responsible for about half the increase in their share of after-tax income, while economic conditions were responsible for the rest.

The report said that the average income per household, in constant dollars, increased by 5.4 percent from 1980 to 1983 for the top fifth of households, from \$39,890 per household to \$42,043. However, it dropped 1.5 percent to 2.5 percent for the lowest three-fifths.

U.S. Park Service Preserving Mementos at Vietnam 'Wall'

(Continued from Page 1)

ter her son's death in a helicopter crash in Vietnam, in which she described finding her son's name for the first time on the wall.

"We had been looking for about a half-hour when your father quietly said, 'Honey, here it is.' As I looked to where his hand was touching the black wall, I saw your name, William R. Stock."

"My heart seemed to stop. I felt as though I couldn't breathe. It was like a bad dream. I felt as though I was freezing. My teeth chattered. God, how I hurt."

Greg Vaughan, a Park Service technician who works at the warhouse where the items are stored, said he periodically gets "a little misty" about some of the items.

"You read the letters and you're right there, up front with the people who were there, the people who lost friends and family," he said. "It's not like history. There's still an immediacy about it."

Mr. Kittelman of the Park Service agreed, saying, "This is one very special monument. I don't think anybody anticipated the popularity of it. So many veterans have

been there and consider it their monument, their memorial, their place for reconciliation. The tears, the emotion — it's all happened there."

The memorial has become Washington's most-visited monument, with 2.1 million tourists from January through May of this year. The next most popular site, the Lincoln Memorial had 1.9 million visitors.

Legally, all items left at the memorial are considered abandoned property after 30 days, Mr. Kittelman said. At the end of that time, if they have not been claimed, the Park Service must decide what to do with them.

Mr. Scruggs, of the memorial fund, is glad the items are being preserved.

"I mean, 100 years from now, it will be like reading a Civil War infantryman's diary or something. This is part of the historical legacy of the Vietnam War."

Mrs. Wimbish agreed, "I think it's a great idea," she said, "especially for my children and grandchildren. I think it means part of the love I still feel for Billy will live on."



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Published With The New York Times and The Washington Post

To Avert a Crash Landing

Economic policy-makers are chilling the northern summer by not facing facts. As it escapes the high inflation syndrome, the industrial world cruises into another high-risk area. Some spotters see a crash landing.

One risk is that slow growth in America, coupled with the overvalued dollar, will lead the White House to give in to pressures for protection that would bring back the '30s. A second risk is that decline of the dollar will be so abrupt as to set off a world financial crisis, shattering such business confidence as has been rebuilt after the tribulations of the early '80s. A third is that even if American policy takes a turn toward sanity, the beneficial effects will be blocked by unresponsive attitudes from other countries.

Gathering crisis for the rich may nurture a further risk: debt default by the poor. Debtors have so far eschewed this option, but Fidel Castro — not the best economist — urges them to take it. Mistakes by the rich could encourage them to do so.

A crash landing starting in America, as opposed to a gradual downward adjustment of the dollar and balanced growth of world trade and employment, is not inevitable. But when Karl Otto Pöhl, president of West Germany's central bank, warns of it in public, the risk must be taken seriously. Central bankers do not indulge in scare stories.

Events in America are dispiriting. Conflicting plans for reducing the budget deficit have produced deadlock between the House and the Senate, and leadership from the

president has been lacking. The size of the deficit means heavy borrowing abroad, which keeps the dollar high — one informed estimate suggests that it is 40-percent overvalued. Spending by Americans is increasingly concentrated on imports, with many domestic industries facing depression.

More determined budget action in Washington is a necessary condition for avoiding a crash landing from which the whole world would suffer. But it is not a sufficient condition. The immediate effect of budgetary stringency will be depressive, and this needs to be offset by contrary policies abroad. Bonn and Tokyo have major responsibilities here, but their responses are poor. Rejecting the advice — which even their own cautious economists have offered — to have slightly more expansionary budgets, they continue to rely on foreign trade surpluses for stimulus. These surpluses will drop if Washington gets its deficit under control.

In all three countries, politicians ignore a simple economic fact: Public borrowing should match private spending. America's future is in pawn because public borrowing greatly exceeds what the private sector saves. West Germany and Japan, on the contrary, are robbing themselves — and the world — of benefits by borrowing less than their citizens want to save. If we are to land softly, leading governments need to rethink their policies — before their constituencies come back from the summer beaches.

INTERNATIONAL HERALD TRIBUNE

What Policy at the Fed?

Two seats on the Federal Reserve Board will fall vacant in the next six months. When he fills them, President Reagan will have chosen a majority of the board's seven members. That requires him to decide what kind of a monetary policy he wants. The administration, like economic conservatism in general, is split.

Monetarists stand for tight restraint on the money supply to hold down inflation. Supply-siders push for faster growth, with less concern for inflation. So far the administration has been in the comfortable position of being able to stand on both sides of the argument. It has been able to blame high interest rates on the Federal Reserve, while simultaneously taking credit for the low inflation that those rates have enforced. Why? Because the Federal Reserve is led by a strong chairman, Paul Volcker, whom Mr. Reagan inherited from the previous administration, and because Mr. Volcker has had the support of a majority of the board's other six members.

Now one strong and reliable member of that majority, Lyle E. Gramley, has announced his resignation. The term of another, J. Charles Partee, will expire in January.

The question is whether President Reagan, in replacing them, will try to create a new and different majority pulling in another direction against Mr. Volcker. Mr. Reagan's first appointment to the board, in 1982, was Vice Chairman Preston Martin. The second, Mar-

tha R. Seger, has only recently been confirmed. The votes of Fed members are hardly more predictable than those of Supreme Court justices, but both of these Reagan appointees have occasionally seemed to suggest that they favor more emphasis on growth than the present majority does. That would mean less emphasis on policing inflation.

The Fed has become a kind of hobgoblin to some in Mr. Reagan's administration and his party, particularly among the supply-siders. To them, it has emerged as the single all-purpose explanation for the failures of Mr. Reagan's economic strategy. This accusation is particularly strong in the wing of the Republican Party that is gathering around Representative Jack Kemp and his campaign for the presidency. It is Mr. Reagan's most fervent supporters who will press him hardest to use these appointments to seize control of the Federal Reserve and turn its course.

But Mr. Volcker has come to embody the country's commitment to low inflation. Any attempt by the White House to undercut his policies at the Fed is going to be interpreted widely throughout this country and the world as an intentional swing to easy money and, inevitably, rising prices. An administration running budget deficits of \$200 billion a year is not in a safe position to risk raising further fears of high inflation ahead.

—THE WASHINGTON POST.

A Big Loophole to Close

General Dynamics, America's biggest defense contractor, has owed no federal income taxes since 1972. Any fair tax reform ought to close that large loophole, but President Reagan proposes only to narrow it and then wonders why anyone calls his plan unfair.

The issue here is "completed-contract" accounting. It allows corporations to delay paying taxes on profit from a long-term contract until the job is completed, but lets them deduct the costs of that project on a current basis each year. If XYZ Inc. is building 25 jet fighters, it can write off some of the costs against profits from other projects each year even though it receives periodic payments for the planes from the Pentagon. The tax on the profit from the planes is not due until all 25 have been delivered. For a major defense contractor working many projects simultaneously, these deferrals can go on and on. By the time the jet fighter contract is fulfilled and the profit becomes taxable, it can be offset by the heavy start-up costs of a missile contract.

This accounting method is not an insidious contrivance of profiteers. It works for other businesses and for private as well as government contracts. The rationale is that a company cannot compute in advance what its taxable profit will be. Some deferral may thus be

essential for smaller enterprises with limited cash. But surely General Dynamics and other giants know they will come out whole on their defense business. General Electric, Boeing, Grumman and Lockheed have also owed no taxes in one or more of the last few years.

Congress put some limits on this free ride in 1982, but they are not yet fully effective. The Reagan administration now proposes further limits, by reducing the list of currently deductible expenses. Yet at the same time the Reagan plan would increase the benefit by reducing the corporate tax rate. The eventual taxes would be figured at a lower rate than the one in effect when the profits were accumulated.

The tax reform plan of Senator Bill Bradley and Representative Richard Gephardt would permit a modified deferral but collect interest retroactively on the amounts postponed. Representative Fortney Stark proposes banning "completed-contract" accounting outright for federal contracts of two years or longer.

The newest recruit to the cause of reform is Defense Secretary Caspar Weinberger, who testified the other day that he was "all for eliminating" this special advantage. His embarrassment over \$640 toilet seats is compounded when the manufacturer owes no tax.

—THE NEW YORK TIMES.



Now Comes a Chance to Redefine Strategic Balance

By Flora Lewis

NICE — Now that Ronald Reagan and Mikhail Gorbachev have made a date in Geneva, planning can begin in earnest.

Clearly, this cannot be the "carefully prepared" summit that both sides have sometimes demanded, in the sense that there is not enough time for the precise and intricate negotiations needed to draft a major treaty. And it is true that a poorly written treaty creates serious risks.

Americans experienced in bargaining with Moscow point out that its usual approach to applying agreements is to make full use of loopholes and ambiguities. The result, if definitions are less than exact and perfectly lucid, is to increase suspicion and recrimination instead of fulfilling the purpose of easing tensions.

That certainly developed from the 1972 Nixon-Brezhnev accord, which was the heart of détente. Instead of establishing general rules of superpower conduct as was supposed at the time, its loose terms were interpreted in flatly contradictory ways. There are other reasons for the collapse of détente, but invoking explanations dooms to disappointment makes an inevitably difficult relationship much harder to manage.

Moscow thought U.S. acceptance of strategic "parity" meant recognition of that quality in all senses: political, economic, even psychological.

That was not only far beyond American intentions. It was beyond America's capacity to assure. The United States thought Moscow had accepted constraints on its ambitions to bring Communists to power in other parts of the world. That would imply a change in Soviet ideology and the fundamentals of its regime, which may or may not come some day but obviously will not derive from a mere declaratory agreement.

To work effectively, accords must reflect currently perceived mutual interests. They do not create trust out of primeval mire. They can only express shared need, essentially to reduce the dangers of superpower war.

But the fact that there is no prospect of a dramatic reversal in East-West relations at the summit does not mean it would be a mere courtesy call where two men meet to show their amiability. It cannot avoid being a milestone after six years of deterioration.

The mere fact of the summit meeting engages the apparatus of each government and marks a new departure to define what is tolerable, what should be considered "normal" in Soviet-U.S. relations.

Mr. Reagan had already planned to launch himself on a special campaign of Soviet studies, and that now becomes an urgent priority. No matter how affable the partners, it is evident in every official Soviet-American exchange that minds work differently. The Russians have just as much trouble grasping the assumptions that underlie American ways of thought as Americans have figuring out the mechanisms that move the Russians' secretive society.

It is better to be aware of that and not leap to conclusions about basic understanding, whether of friendship or hostility, because of words and images. Here Mr. Reagan's skill in image-making and modern American's audiovisual obsession can be a handicap, not an advantage.

What is needed is not just smiling spectacle but a sense of architecture, of design for the long term so that not only the two giants but the whole world can get on with the problems of the age in a certain sense of security.

Both sides have already said they seek strategic stability. Neither quite believes that the other doesn't really mean military domination. This is not a matter of some devious master plan. The lessons that the Soviet military establishment drew from World War II, still the source of its basic doctrine, were "never again to be

taken by surprise, never again on our territory." But, as West European analysts point out, acceptance of this would mean that "if war were to come, we would be the ones to be surprised, and on our territory." By such a definition, the goals of strategic stability are incompatible.

The task has to be an attempt to work out what stability means in a way both can accept. So far the focus has been on missile counting, and the results have been disappointing, to say the least. An agreement in principle that arsenals are much too high for anyone's safety could be a start toward a new search for balance.

Further, it is evident that balance must include defense as well as offense. That principle should be reaffirmed. It does not mean abandoning Mr. Reagan's wish to rely more on defense than on offense, which may or may not be feasible. It does mean full acceptance of the linkage.

Removal of the Soviet Union's veteran foreign minister, Andrei Gromyko, from direct negotiating responsibility may signal greater willingness to explore new approaches on Moscow's side. In any case, the chances for making Geneva turn out to be a watershed depend on trying to look well beyond the moment, with hope but without illusions.

The New York Times.

At Milan, Europe Put the Cart Before 10 Horses

By Giles Merritt

BRUSSELS — The wreckage of the European Community's June 28-29 summit in Milan gives rise to two basic questions. If the EC cannot move forward, must it begin to go backward? And were the European leaders not being asked to address the wrong issue in the wrong way?

The row at Milan — the EC Commission's president, Jacques Delors, has bluntly called it a "rupture" — was essentially over the degree of political integration and eventual federalism that the member states can accept. The way in which members flared across the conference table showed that, almost 30 years after the Treaty, Europeans are still deeply divided on the question of political and economic union.

All the former members — the six who wrote the treaty — say it now needs more rewriting if Europe is to achieve greater strength through unity. But latecomers like Britain, Denmark and Greece object that they already concede enough of their sovereign powers to Brussels.

The Milan meeting had been billed as the occasion for the 10 heads of government to relaunch a common market that has lost momentum and direction. With old bones of contention like Britain's disproportionate budget contribution and Spain and Portugal's entry terms safely out of the way, it was hoped that the summit would agree on a new decision-making system capable of unblocking the Community's logjam of stalled internal negotiations.

One of the main reasons why the Community is nowadays in disarray is the snail's pace at which many joint decisions are reached. A number of proposals have been frozen inside the machinery of the council of ministers for over 10

years. At the same time, more and more of Europe's political and legislative business winds up in Brussels. Last year ministers had to troop here or down to Luxembourg to attend more than 80 sessions of the council, whereas in 1976 there were 55 such meetings.

The major bugbear, though, is that unanimity has become the practice when the ministers vote on a proposal, so that a dissenting voice can hold up an agreement indefinitely. And when the ministers at each council meeting start to number 12, after Spanish and Portuguese accession next Jan. 1, the chances of swift and efficient decision-making will dwindle further.

It was for precisely that reason that Milan was due to have settled on a formula acceptable to all in which majority voting could be practiced.

The breakdown at Milan was over whether or not member states should keep their right to veto any majority vote decisions they regard as unacceptable. That has been the situation for the last 20 years or so, ever since Charles de Gaulle boycotted the Community with his "empty chair" policy in defense of France's sovereignty, with the result that although majority voting is theoretically the system for all but innovative matters, the reality is that it is never used.

To try to resolve this impasse, the EC countries are to take part in a special "inter-governmental" conference, probably to be held in Luxembourg in October. Unpropitiously, the idea of the conference had to be bulldozed through at Milan in a 7-3 vote. The British, Danes and Greeks have

made painfully clear that they do not think there will be much to talk about in Luxembourg.

The likelihood of the Luxembourg conference coming up with something worth submitting to the Community's year-end summit is slim. The risk is that the conference will drag on inconclusively for several months, rubbing salt in Europe's wounds by becoming a daily reminder that politically the Community has come to a halt.

In Brussels at present there seem to be no optimists, only pessimists and extreme pessimists. The former say that Europe is being made to confront "the moment of truth" in which either all member states must accept majority voting or they must resign themselves to a two-speed Europe as the original six forge ahead on their own. The less optimistic, some of whom wonder if Milan has not revealed the Community as the political hoax it always was, warn of a stalemate stretching years ahead.

Perhaps the gloom would be dispelled if Europeans realized that Milan failed unnecessarily. The summit was asked to agree on concessions of sovereignty as a precondition for economic recovery through a free market. Yet governments are more likely to make concessions to safeguard what has already been accomplished.

Milan rather casually adopted the Commission's master plan for a genuine common market by 1992. But that, not majority voting, should have been the centerpiece. For those liberalizers who create what Walter Hallstein, one of the Community's founding fathers, used to call "Sachzwang" — the economic momentum that should make majority voting palatable to all.

International Herald Tribune.

Soviet Foreign Policy: Restoring a Tough Image

By Seweryn Bialer

This is the first of three articles.

NEW YORK — With the election of former Foreign Minister Andrei Gromyko to the presidency of the Soviet Union, Mikhail Gorbachev has consolidated his leadership.

By placing his own man, Eduard Shevardnadze, in charge of the Foreign Ministry, Mr. Gorbachev has taken control of foreign policy. The period of relative Soviet passivity and reacting to American initiatives in the international arena is probably over. We can now expect the Soviet Union to begin looking for opportunities to exploit American vulnerabilities.

The general outline and directions of Mr. Gorbachev's foreign policy are becoming increasingly clear. The new Russian leader has three basic goals:

- To re-establish the Soviet international image as a superpower that is strong, decisive and determined to pursue a global role of "equality" with the United States.

- To damage significantly the image of America in the international arena. This second goal suggests that Moscow will be looking for opportunities to embarrass Washington and aggravate its problems abroad whenever possible — most likely in Nicaragua but also possibly in Pakistan, the Philippines, Korea and Egypt.

- To obtain an arms control agreement that will permit him to concentrate on more pressing domestic economic and social problems.

It is likely that these goals, especially the second and third, will prove contradictory and impossible to pursue simultaneously, and that Mr. Gorbachev will need to choose which is more important. Or he may find the third goal foreclosed by U.S. action in response to Soviet initiatives,

or by U.S. determination to pursue the Strategic Defense Initiative.

Meanwhile, by virtue of his own move and the situation he inherits, Mr. Gorbachev is in an extraordinary position to direct Soviet foreign and security policies. Mr. Gromyko's departure from a position of real power is a giant step in the elimination of the old guard from the inner circle of Soviet decision-makers.

During the interregnum under Konstantin Chernenko, the making of foreign policy was for all practical purposes concentrated in the hands of Mr. Gromyko and his deputies.

Mr. Shevardnadze is little known even in the Soviet Union. His power base is in Georgia. In Moscow he will be entirely dependent on Mr. Gorbachev's support. He will be a minister of foreign affairs for whom the policy will be made by Mr. Gorbachev and his closest associates.

Similarly, in formulating security policy for the Soviet Union Mr. Gorbachev is in a strong position. Dmitri Ustinov, whose authority as defense minister was unchallenged, died last December not long after he dismissed Nikolai Ogarkov as military chief of staff. Neither man's replacement has the authority of his predecessor.

As Mr. Gorbachev puts his own imprint on Soviet policy, he is acutely aware that the Soviet Union is in the throes of a deep domestic crisis that is not only economic but also social and political. His priorities are unquestionably domestic. But the Soviet Union's international situation, the

revitalization of America's world role and especially the arms control negotiations in Geneva do not leave Mr. Gorbachev the luxury of a semi-isolationist choice. He must play actively in the international arena.

He inherits awesome military power from his predecessors, but also an international situation long typified by a passive or reactive Soviet foreign policy. His three foreign policy goals take into account both the Soviet Union's domestic situation and the diminished international role it has been playing in the last several years.

The Soviet image has been tarnished by several years of leadership paralysis in the Kremlin. In pursuing his first goal — improving that image — Mr. Gorbachev seems determined to maintain Soviet control over traditional or relatively new areas of influence or dominance. The Soviet Union, in Mr. Gorbachev's eyes, may be too weak to show weakness.

A key example of this policy goal is the emerging Soviet hard line toward Eastern Europe — which is as hard pressed economically as the Soviet Union but cannot expect significant Soviet help. Favorable economic performance in Eastern Europe, fundamental to the region's social stability, depends primarily on close economic relations with the West.

But pursuing closer relations with the West to gain social stability conflicts with the political orthodoxy that Mr. Gorbachev has chosen to demonstrate Soviet strength. The political orthodoxy and the crackdown on liberals in Eastern Europe is

meant to prevent unrest and a drift away from tight Soviet control.

This is a hard-line policy that does not respond favorably to the desires of the leadership of most of these countries for closer ties with the West; a policy that demands greater contribution from Eastern Europe to the development of Soviet natural resources while trying to force on East Europeans higher prices for Soviet exports; a policy directed against political and economic innovations.

The writer, professor of political science at Columbia University, travels often to the Soviet Union. He contributed this comment to *The Washington Post*.

LETTERS TO THE EDITOR

Pakistan and the Sikhs

Regarding "Gandhi and the Sikhs: After the Crash, a Narrow Road" (June 29) by Pranay Gupta:

The Air-India crash has indeed gripped the world for the loss of human life. But Mr. Gupta's reference to "Pakistan-based Sikh separatists" was unwarranted and factually incorrect. Pakistan's position on the events in India's Punjab and on the Sikh movement has clearly been one of noninterference in the affairs of its neighbor, and the question of Sikh bases in Pakistan does not arise. Misstatements of facts like these result in creating misunderstanding, not only about Pakistan's policy of strict adherence to the principles of nonintervention but also about Pakistan's policy toward India, a neighbor with

whom Pakistan is in the process of normalizing its relations.

RAHMA MUMTAZ
Embassy of Pakistan,
Paris.

An Unforgotten Novel

In his June 26 review of Gunter Grass' "On Writing and Politics: 1967-1983," Christopher Lasman Haupt refers to a "nearly forgotten" novel by Alfred Döblin, "Berlin Alexanderplatz," as regarded as a modern masterpiece in West Germany. It was filmed by the late Rainer Fassbinder and has recently been issued in a Penguin paperback as a modern classic. "Berlin Alexanderplatz" has hardly been forgotten.

MITCH SNYDER,
Frankfurt.

FROM OUR JULY 9 PAGES, 75 AND 50 YEARS AGO

1910: Cost of U.S. Government Rises
NEW YORK — Theories attributing the advance in the cost of living to increased production of gold or to the tariff are well enough, but there's no denying the one important element in the advance is the enormously increased cost of government — national, state and municipal. The first "billion dollar Congress" gave the country a shock and led to a clamor for economy. Now we have single sessions of Congress that authorize the expenditure of a billion without exciting special attention. The record of thirty States shows that their expenditures from 1900 to 1909 increased more than ninety percent. The money for all this extravagance comes out of the pockets of the people. It is a heavy burden and constitutes a most important element in the greater cost of living of which the masses so bitterly complain.

1935: Depression Threatens Japan
PARIS — The old adage about a silver lining to every cloud apparently applies to the new business depression which Japan is suffering. In 1935, the one important element in the advance is the enormously increased cost of government — national, state and municipal. The first "billion dollar Congress" gave the country a shock and led to a clamor for economy. Now we have single sessions of Congress that authorize the expenditure of a billion without exciting special attention. The record of thirty States shows that their expenditures from 1900 to 1909 increased more than ninety percent. The money for all this extravagance comes out of the pockets of the people. It is a heavy burden and constitutes a most important element in the greater cost of living of which the masses so bitterly complain.

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Egypt, Worried by Rising Religious Tension, Acts to Curb Moslem Zealots

By Judith Miller
New York Times Service

CAIRO — The Egyptian government, in a distinct shift of policy, has started a campaign to stem the growth of Islamic fundamentalist forces.

Until recently, the government of President Hosni Mubarak sought to avoid open confrontation with the fundamentalist Moslems.

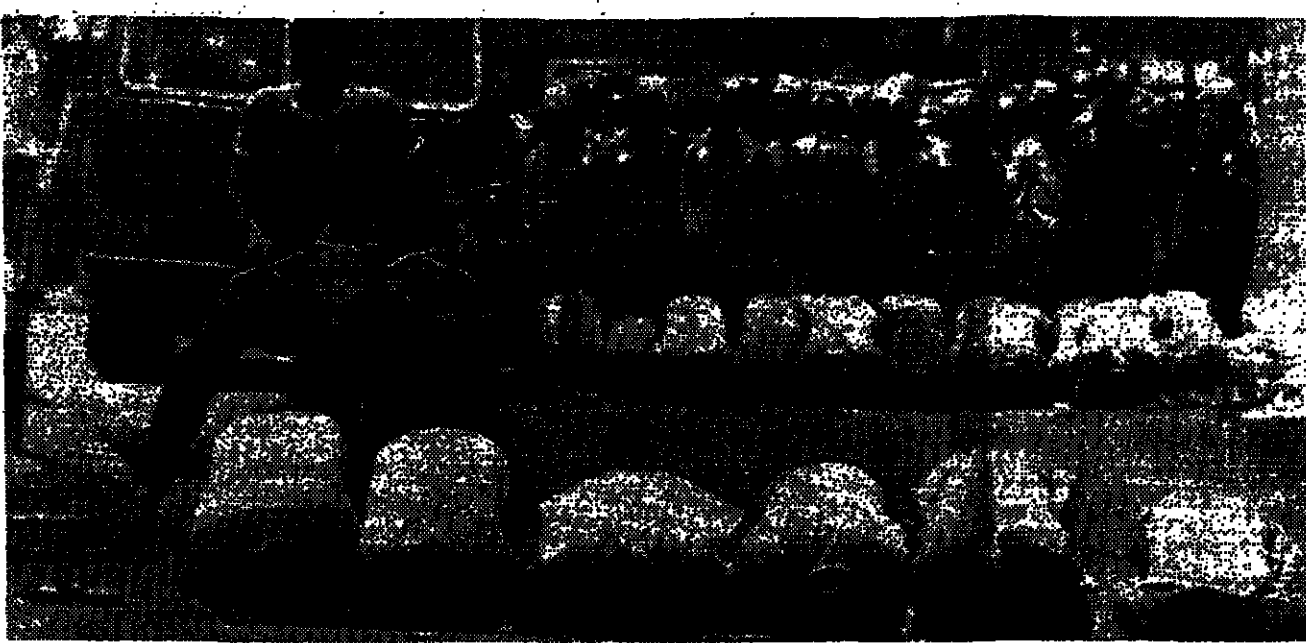
Signs of what one official called the government's new "firmness" reportedly reflect Egyptian concern about the growth of extremism not only in Egypt but also in Lebanon and throughout the region.

"A clear message is being sent to fundamentalists," a senior official said. "Egypt will continue to pursue democracy, to foster free expression and debate, but there are limits beyond which no one will be permitted to go."

In a speech last week, President Mubarak issued his toughest warning since assuming power and he vowed to crush any group that fomented unrest under "evil slogans."

Although he did not refer to fundamentalists by name, the target of his remarks was clear, officials said. "I warn and I warn and I warn again," he declared.

Beginning this week, drivers of vehicles that display Islamic or other religious decals and bumper



Islamic faithful, with police looking on, praying in a Cairo street to back their demand for a return to Moslem law.

stickers will be subject to fines of unspecified amounts and risk having their licenses confiscated for a year, the Ministry of Interior decreed last week.

For the last two weeks, the government has engaged in an intense

test of will over demands by Islamic fundamentalists that Egypt immediately adopt the Sharia, Islam's 1,300-year-old legal code.

The government has banned marches and demonstrations de-

manding the Sharia, has tried to wrest control of the nation's largest fundamentalist mosque from its leadership and has issued stern warnings about forms of protest that will not be tolerated.

A week ago, the government's ruling National Democratic Party

introduced in Parliament a woman's rights law that the Supreme Court had ruled unconstitutional two months ago, citing procedural grounds.

The measure was quickly approved. Leading Islamic funda-

mentalists opposed both the original 1979 law and the new version, which restored most, but not all, the rights of women in divorce cases.

The government's edict banning bumper stickers was aimed at stopping the so-called "bumper-sticker war" between Moslems and Christians, which has risked setting off tension and strife, officials said.

Although most of Egypt's 48 million people are Moslems, the country has 4 million to 6 million Coptic Christians. Sectarian clashes were frequent before Islamic militants assassinated President Anwar Sadat in October 1981, and President Mubarak has taken steps to prevent a renewal of tension.

The Islamic stickers, the most popular of which proclaim, "There is No God but Allah, and Muhammad is His Prophet" — one of the five pillars of Islam — have recently flooded shops and sidewalk stands, selling at the equivalent of 25 cents each.

Copts have responded by affixing to their cars pictures of their spiritual leader, Pope Shenouda III, freed by Mr. Mubarak last January after 40 months of banishment at a desert monastery. Crucifixes have also proliferated, as have stickers proclaiming, in Arabic, "The Lord is My Shepherd."

In another move to curb reli-

gious extremism, the Ministry of Religious Affairs tried to take control of the Noor Mosque, Cairo's largest fundamentalist mosque, last week by naming its own sheikh to preach in the place of Sheikh Hafez Salama, the most vocal advocate of Islamic law.

On Friday, about 4,000 supporters of the fundamentalist sheikh defied the government by preventing Sheikh Ismail Adawy from delivering his sermon. Sheikh Salama refrained, however, from giving the main sermon. It was delivered instead by an aide.

After the sermon, the sheikh vowed to pose a court challenge to the takeover of his mosque. "Islam will triumph in the end," he said.

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Murdoch Syndicate to Create 'Column' of Pope's Writings

Reuters

NEW YORK — Pope John Paul II will not write a weekly newspaper column, but his writings and sermons will be offered in condensed form through syndicates owned by Rupert Murdoch, a spokesman for the publisher said Monday.

A Vatican spokesman Sunday denied reports that the pope had agreed to become a columnist for the syndicates, disputing headlines such as "Columns by Pope to Appear in Sun-Times" on the front page of Mr. Murdoch's Chicago Sun-Times newspaper.

Richard Newcombe, president of the News America syndicate and The Times of London syndicate, said there was no formal agreement between Mr. Murdoch and the Vatican.

Instead, he said, an agreement had been reached between the syndicates and a Catholic scholar, Alfred Bloch, under which he would provide a weekly 700-word column drawn from the pope's "messages, writings, speeches, sermons and the like."

Mr. Bloch said he had cleared the idea with friends in the Vatican

but said he did not know if the pope was aware of it.

Mr. Newcombe said: "What our intent was, based on the writings, the sermons, the speeches of Pope John Paul II, was to be able to take his words and apply them to contemporary issues."

"If there is a major news event, like the hijacking recently of the TWA jet, we would like to offer to newspapers around the world what it was that the pope had said about terrorism," Mr. Newcombe said.

Mr. Bloch said: "A certain number of cardinals are friends of mine, and they said go ahead and do it. Whether they cleared this through the pope is not my concern."

Mr. Bloch identified his contacts in the Vatican as Cardinal Alfonso Stickler, librarian of the Catholic Church, and Cardinal Edouard Gagnon, president of the Pontifical Commission for the Family.

Mr. Bloch said Mr. Murdoch's organization would pay him and his partners, and a portion of this money would be given to Vatican scholarship funds.

"This is a very delicate subject," he said. "The Vatican does not accept royalties."

A Czech Pilot Attacked by Son And 2 Who Flee

The Associated Press

VIENNA — The son of a pilot in the Czechoslovak Air Force, aided by two friends, forcibly took over a light plane from his father and flew it 105 miles to Austria to seek asylum, the Interior Ministry said today.

Andreas Rudas, a spokesman, said the son, 19, and his friends, both 22, dined the father with chloroform during a pleasure flight Sunday out of Pardubice, about 60 miles (100 kilometers) east of Prague. The names of the four were not made public.

The youths tied up the father and took over the controls of the Zlin sport plane, the spokesman added. The son, not a trained pilot, managed to fly to Austria at low altitude to evade radar detection. The father was revived and untied in time to land the plane. He told the police he wanted to return home.

The son and his friends were charged with air piracy and were taken to a refugee camp.

Italy to Seek Extradition of Celenk

Reuters

ROME — The court investigating an alleged plot to kill Pope John Paul II decided Monday to ask Turkey to extradite Bekir Celenk, who is being tried in absentia. He was unexpectedly released from detention in Bulgaria and sent home to Turkey last weekend.

Mr. Celenk, 50, who is alleged to have helped funnel money and aid to Mehmet Ali Agca to shoot the pope, was detained Sunday by Turkish security authorities after arriving from Sofia.

Mr. Agca, a Turk who has provided most of the evidence against four other Turks and three Bulgarians accused of being his fellow conspirators, refused to attend the trial Monday to protest Bulgaria's decision to send Mr. Celenk to Turkey instead of Italy.

Exercising his right under Italian law not to attend, he told Judge Severino Santapichi in a note: "I am not coming to the trial because I protest against and condemn the Bulgarian action. It is all part of a political plot between the Bulgarian and Turkish governments."

Italy tried twice to extradite Mr. Celenk from Bulgaria for this trial, and on charges of trafficking in arms and drugs.

The Bulgarian press agency BTA said he had been allowed to leave Sofia because the authorities did not find any proof that he had participated in the attempt on the pope.

Italy has no formal treaty with Turkey for the extradition of defendants, but Turkey has ratified a European convention agreeing to international cooperation on terrorist offenses.

Turkish Smuggling Charges
Mr. Celenk, a businessman who fled to Bulgaria in 1980 after army officers seized power in Ankara, had been sought in Turkey on smuggling charges. The New York Times reported from Rome. He had been under house arrest in Sofia since December 1982.

He and three of the other eight accused of conspiring to kill the pope are being tried in absentia in Rome.

Turkish officials said Mr. Celenk would be questioned and possibly charged with smuggling minerals and other goods. Citing penal statutes that prohibit the transfer of Turkish nationals to foreign nations for trial, they said it was uncertain whether he could be extradited to Italy for trial.

But they said there did not seem to be any obstacles to keep Italian officials from questioning him in Turkey.

Mr. Celenk, a mysterious figure with broad business interests ranging from Turkey and Bulgaria to Switzerland and Britain, has been described by Mr. Agca as having served as a go-between for Bulgarian officials and members of the Gray Wolves, a rightist Turkish group, in supplying money and logistical support to kill the pope.

Jaruzelski Visits Yugoslavia

The Associated Press

BELGRADE — The Polish leader, General Wojciech Jaruzelski, arrived Monday for a state visit, his second to a country outside the Soviet bloc since he took power in 1981. He visited India in February.

DEATH NOTICE

Karen Chevalier and her daughter Marion, regret to announce the death of Mr. KARLON CHEVALIER, writer and interpreter, died in Paris on July 4, 1985 at the age of 83. The burial will take place at 4:30 p.m. on July 10, 1985, Montmartre cemetery, 19, rue du Mont-Cenis, Paris 18^e.

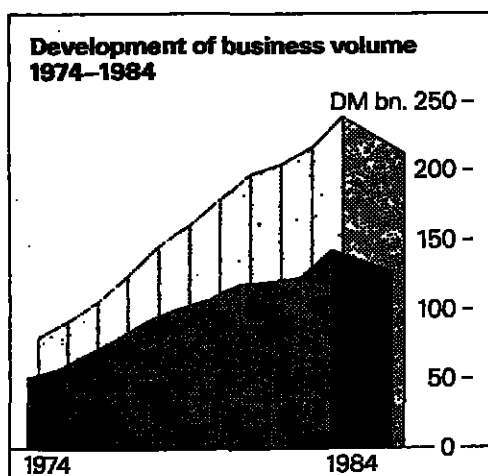


SUMMER EXHIBITION OF RARE JEWELS OF THE WORLD

Graft
Unmistakably

55 BEDFORD ROAD, KNIGHTSBRIDGE, LONDON SW1. TELEPHONE 01-871. TELEX 21206 AND WORLDWIDE BY APPOINTMENT

1984. A year's work.



□ Deutsche Bank Group
■ Deutsche Bank AG

Stabilization at level attained and further strengthening of capital base.

The development of the Group was decisively influenced in the year under review by the economic recovery at home and abroad. Business volumes increased more strongly than in the previous year. Overall, the good operating result achieved in 1983 was repeated.

At year's end, Deutsche Bank Group had capital and reserves totalling DM 7.7 bn. including the capital increase of a nominal DM 113 m. carried out in spring 1984 at the parent company.

International business: market position strengthened.

Commercial foreign business, i.e. the financial settlement of exports and imports, profited in 1984 from the strong growth in German for-

eign trade. The financial side of one quarter of the Federal Republic of Germany's exports is settled via Deutsche Bank.

We improved our market position through intensive efforts to obtain new business and through the use of new settlement systems.

Improvement of range of services.

To strengthen our position on the markets, our business policy aimed at

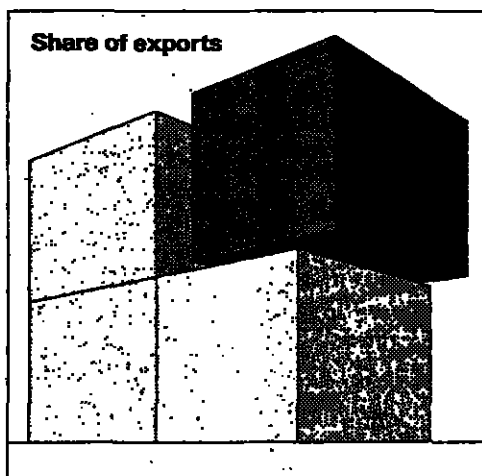
- expanding and improving our range of services for customers by means of new financing techniques and investment possibilities,
- using computer and telecommunications technology so as to offer conventional banking services more quickly, more efficiently and at lower cost, and
- intensifying our service to internationally operating customers through our foreign branches, subsidiaries and representative offices.

Successful foreign branches.

The business volume of our foreign branches expanded markedly in 1984, partly owing to exchange rate changes.

In lending business, our foreign branches not only served the branch establishments of German clients, but also to an increasing extent local firms. On the funding side, they used the opportunities available on international and local financial markets.

Here, it is our aim to make use of



The financial side of one quarter of the Federal Republic of Germany's exports is settled via Deutsche Bank.

the specific advantages of each centre.

Bases, subsidiaries and associated companies abroad.

At year's end our foreign network comprised 15 branches, 9 wholly-owned subsidiaries and 14 branches of European Asian Bank AG. In addition there were 19 representative offices abroad.

In the period under review we expanded our presence in Japan by opening a new sub-branch in Tokyo (Shinjuku district).

To strengthen our range of services in the new issue and placement business, we have set up an international investment banking subsidiary in London. It operates under the name Deutsche Bank Capital Markets Limited and engages chiefly in new issue business in foreign currencies and in Eurobond dealing and placement.

In particular the company cooperates closely with our New York investment bank Deutsche Bank Capital Corporation (until 31.12.84: Atlantic Capital Corporation). With this change of name, we wish to underline the integration of this company into the overall range of services offered by Deutsche Bank Group.

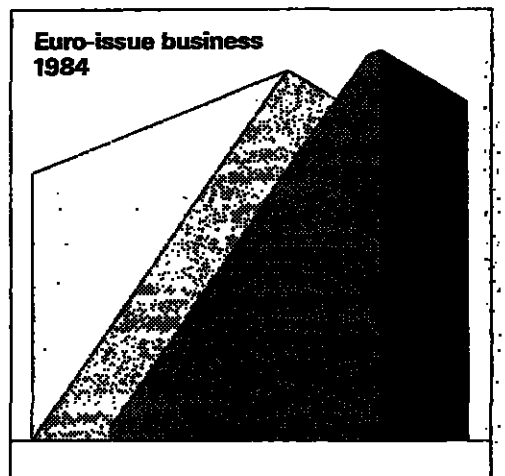
In autumn we acquired 4.99% of the voting capital of Morgan Grenfell Holdings Ltd., the parent company of the London merchant bank Morgan Grenfell and Co. Ltd. We expect this to lead to a further intensification of the good cooperation between our two companies, particularly in securities business on the London market, in corporate financing and in export and project financing.

Deutsche Bank (Canada) can look back on a year in which balance sheet total and earnings increased and a good number of new relationships were established.

The same applies to Deutsche Credit Corporation, which operates in the U.S.A. in the sales financing sector. Its range of financings is also particularly interesting for small and medium-sized German exporting firms.

Project financings.

We further intensified our activities in the financing of large projects in the raw materials and energy production fields. We participated in a management capacity in several important projects.



Deutsche Bank AG acted in a management or co-management capacity for 51% of total Euro-issue volume.

Issuing business: successful new listings...

On the German share market we introduced the shares of 13 companies to the stock exchange in the year under review. We managed the placement of shares worth a total of DM 1.6 bn.

...and strong growth and diversification in international bond issues.

In the international new issue business we participated in 366 bond issues in a management capacity in 1984 (previous year 275). Thus the number of issues where we have acted in a management or co-management position has almost trebled in the last five years (1980: 128).

NYSE Most Actives

Symbol	Vol.	High	Low	Last	Chg.
AT&T	2,251	29 1/2	29 1/4	29 1/2	+ 1/4
IBM	1,515	107 1/2	107 1/4	107 1/2	+ 1/4
GE	1,071	67 1/2	67 1/4	67 1/2	+ 1/4
AMC	820	20 1/2	20 1/4	20 1/2	+ 1/4
IBM	800	107 1/2	107 1/4	107 1/2	+ 1/4
IBM	771	107 1/2	107 1/4	107 1/2	+ 1/4
IBM	771	107 1/2	107 1/4	107 1/2	+ 1/4
IBM	771	107 1/2	107 1/4	107 1/2	+ 1/4
IBM	771	107 1/2	107 1/4	107 1/2	+ 1/4
IBM	771	107 1/2	107 1/4	107 1/2	+ 1/4

Dow Jones Averages

Index	Open	High	Low	Last	Chg.
Indus.	1,234.7	1,234.7	1,234.7	1,234.7	+ 1.0
Transp.	1,234.7	1,234.7	1,234.7	1,234.7	+ 1.0
Comp.	1,234.7	1,234.7	1,234.7	1,234.7	+ 1.0

NYSE Index

Index	Open	High	Low	Last	Chg.
Composite	1,234.7	1,234.7	1,234.7	1,234.7	+ 1.0
Indus.	1,234.7	1,234.7	1,234.7	1,234.7	+ 1.0
Transp.	1,234.7	1,234.7	1,234.7	1,234.7	+ 1.0
Comp.	1,234.7	1,234.7	1,234.7	1,234.7	+ 1.0

Monday's NYSE Closing

Vol. at 3 P.M. 67,440,000
Prev. 3 P.M. vol. 52,738,000
Prev. consolidated close 7444,730

Tables include the nationwide prices up to the closing on Wall Street and do not reflect later trades elsewhere.
Via The Associated Press

AMEX Diaries

Index	Open	High	Low	Last	Chg.
Advanced	1,234.7	1,234.7	1,234.7	1,234.7	+ 1.0
Declined	1,234.7	1,234.7	1,234.7	1,234.7	+ 1.0
Unchanged	1,234.7	1,234.7	1,234.7	1,234.7	+ 1.0
Other Issues	1,234.7	1,234.7	1,234.7	1,234.7	+ 1.0
New Highs	1,234.7	1,234.7	1,234.7	1,234.7	+ 1.0
New Lows	1,234.7	1,234.7	1,234.7	1,234.7	+ 1.0

NASDAQ Index

Index	Open	High	Low	Last	Chg.
Composite	1,234.7	1,234.7	1,234.7	1,234.7	+ 1.0
Indus.	1,234.7	1,234.7	1,234.7	1,234.7	+ 1.0
Transp.	1,234.7	1,234.7	1,234.7	1,234.7	+ 1.0
Comp.	1,234.7	1,234.7	1,234.7	1,234.7	+ 1.0

AMEX Most Actives

Symbol	Vol.	High	Low	Last	Chg.
Wing	224	18 1/2	18 1/4	18 1/2	+ 1/4
Wing	224	18 1/2	18 1/4	18 1/2	+ 1/4
Wing	224	18 1/2	18 1/4	18 1/2	+ 1/4
Wing	224	18 1/2	18 1/4	18 1/2	+ 1/4
Wing	224	18 1/2	18 1/4	18 1/2	+ 1/4

Dow Jones Bond Averages

Index	Open	High	Low	Last	Chg.
Bonds	1,234.7	1,234.7	1,234.7	1,234.7	+ 1.0
Utilities	1,234.7	1,234.7	1,234.7	1,234.7	+ 1.0
Indus.	1,234.7	1,234.7	1,234.7	1,234.7	+ 1.0

NYSE Diaries

Index	Open	High	Low	Last	Chg.
Advanced	1,234.7	1,234.7	1,234.7	1,234.7	+ 1.0
Declined	1,234.7	1,234.7	1,234.7	1,234.7	+ 1.0
Unchanged	1,234.7	1,234.7	1,234.7	1,234.7	+ 1.0
Other Issues	1,234.7	1,234.7	1,234.7	1,234.7	+ 1.0
New Highs	1,234.7	1,234.7	1,234.7	1,234.7	+ 1.0
New Lows	1,234.7	1,234.7	1,234.7	1,234.7	+ 1.0

Odd-Lot Trading in N.Y.

Symbol	Vol.	High	Low	Last	Chg.
IBM	1,515	107 1/2	107 1/4	107 1/2	+ 1/4
IBM	1,515	107 1/2	107 1/4	107 1/2	+ 1/4
IBM	1,515	107 1/2	107 1/4	107 1/2	+ 1/4
IBM	1,515	107 1/2	107 1/4	107 1/2	+ 1/4
IBM	1,515	107 1/2	107 1/4	107 1/2	+ 1/4

Standard & Poor's Index

Index	Open	High	Low	Last	Chg.
Indus.	1,234.7	1,234.7	1,234.7	1,234.7	+ 1.0
Transp.	1,234.7	1,234.7	1,234.7	1,234.7	+ 1.0
Comp.	1,234.7	1,234.7	1,234.7	1,234.7	+ 1.0

AMEX Sales

Index	Open	High	Low	Last	Chg.
Advanced	1,234.7	1,234.7	1,234.7	1,234.7	+ 1.0
Declined	1,234.7	1,234.7	1,234.7	1,234.7	+ 1.0
Unchanged	1,234.7	1,234.7	1,234.7	1,234.7	+ 1.0
Other Issues	1,234.7	1,234.7	1,234.7	1,234.7	+ 1.0
New Highs	1,234.7	1,234.7	1,234.7	1,234.7	+ 1.0
New Lows	1,234.7	1,234.7	1,234.7	1,234.7	+ 1.0

AMEX Stock Index

Index	Open	High	Low	Last	Chg.
Advanced	1,234.7	1,234.7	1,234.7	1,234.7	+ 1.0
Declined	1,234.7	1,234.7	1,234.7	1,234.7	+ 1.0
Unchanged	1,234.7	1,234.7	1,234.7	1,234.7	+ 1.0
Other Issues	1,234.7	1,234.7	1,234.7	1,234.7	+ 1.0
New Highs	1,234.7	1,234.7	1,234.7	1,234.7	+ 1.0
New Lows	1,234.7	1,234.7	1,234.7	1,234.7	+ 1.0

Trading Is Moderate on NYSE

NEW YORK — Prices on the New York Stock Exchange were lower in moderate trading late Monday, hurt by uncertainty about the course of the U.S. economy and monetary policy.

The Dow Jones industrial average was down 9.08 to 1,325.37 an hour before the close. Declines led advances by a 9-5 ratio. Volume amounted to about 67.3 million shares, up from 52.1 million in the same period Friday.

Analysts said investors had moved to the sidelines before the meeting Tuesday and Wednesday of the Federal Open Market Committee, the policy-making arm of the Federal Reserve Board, and before reports Friday on June retail sales and producer prices.

Those events, combined with uncertainty on how Congress will resolve the federal deficit issue and concern about the economy's manufacturing sector, have contributed to investor apathy, said Thomas Ryan 2d of Kidder Peabody. "There are a heck of a lot of reasons to hold your fire," he said.

The market is also suffering from disappointment over the \$2.6-billion rise reported Friday in M-1, the money-supply measure of cash and demand deposits, said Alan Ackerman of Herzfeld & Stern. Some investors fear the unexpectedly strong money growth will increase the Fed's cautiousness about adding more reserves to the banking system to bring interest rates down.

Mr. Ackerman said an interview with Maryann Keller, an auto analyst, in Barron's detailing the "rough road ahead" for U.S. auto companies also pressured the market.

Charles Comer of Oppenheimer & Co. said action in the bond market was "first and foremost" among several factors contributing to weakness in the stock market. He noted that prices fell and interest rates rose in the bond market after the release of the money supply report late Friday.

Creating uncertainty is the FOMC meeting scheduled this week, a "mixed bag" of evidence on the economy, and upcoming second-quarter earnings reports, which will provide room for disappointment, Mr. Comer said.

AT&T was near the top of the active list and slightly lower. NBD Bancorp was also lower in active trading.

General Motors, Ford and Chrysler all lost ground.

Coca-Cola Co. was up slightly. Federated Department Stores fell. Merrill Lynch also lost ground.

Technologies were backtracking on some of Friday's gains. IBM, Digital Equipment, Sperry, Burroughs, and Honeywell were all lower. IBM priced a \$500-million issue of debentures due July 15, 2015, for offering Tuesday.

MCA Inc. moved lower after media analysts called investors' attention to a series of Los Angeles Times articles stating that MCA sold truckloads of records to a convicted record counterfeiter.

CBS, Capital Cities Communications, Knight Ridder and Dow Jones were fractionally lower.

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(Continued on Page 10)

BUSINESS RO...

Siemens F...

To Rise 20...

Hand-on Reports

Results of 1-100

COMPANY NOTES

Bombay Exchange

Moves to Restrain

Forward Trading

FOREIGN & COLONIAL

RESERVE ACCOUNT FUND

Gold Options

White Wolf S.A.

BUSINESS ROUNDUP

Siemens Expects Profit To Rise 20% in 1984-85

BERLIN — Siemens AG expects world group net profit to rise by more than 20 percent in the year ending Sept. 30 compared with 1983-84, the chairman of the managing board, Karlheinz Kaske, said Monday.

Mr. Kaske said at a news conference that volume was expected to rise just under 20 percent and the profit margin to widen.

In 1983-84, Siemens raised its dividend to 10 Deutsche marks from 8 DM, as world group net profit rose to 1.07 billion DM (\$371.1 million at current exchange rates) from 802 million DM in 1982-83 on a 16-percent rise in sales to 45.8 billion DM.

In the first eight months of the 1984-85 fiscal year, Siemens' worldwide volume stood at 36.7 billion DM, up 37 percent from the 1983-84 period.

Of this, domestic turnover rose 67 percent to 21 billion DM, as three orders for nuclear power plants entered the books for Kraftwerk Union AG, a Siemens subsidiary.

Without the plants, overall group sales would have risen 10 percent, Mr. Kaske said.

He said no more orders for nuclear plants would enter the books for the rest of the year, which means that by the end of the fiscal year the 37-percent rate of growth in volume seen in the first eight months should just about be halved.

In 1985-86, Kraftwerk Union is not expected to have any nuclear power plants enter the books, Mr. Kaske said.

World volume should therefore remain around the 50-billion-DM level expected for this year.

In the first eight months of this year, Siemens' profit margin was 2.4 percent, slightly higher than the 2.3 percent achieved in 1983-84.

Orders increased 12 percent in the eight-month period of 1984-85 compared with the same 1983-84 period, with foreign orders up 18 percent and domestic orders up 6 percent.

For the full year, the rise in orders will probably slow to under 10 percent because the eight-month figures were inflated by particularly large single orders, Mr. Kaske said.

The volume of new orders this year should be considerably more than 50 billion DM, he said. Last year, new order volume was 48.1 billion DM.

Mr. Kaske said Siemens planned to invest substantially more than 4 billion DM in 1984-85, an increase over his forecast in February that investment would total between 3.5 billion and 4 billion DM after 2.4 billion last year.

Of this year's investment, 1.5 billion to 1.6 billion DM will be spent abroad compared with 1 billion last year, with more being spent in the United States than in all other countries outside West Germany combined.

Nearly half of this year's investment will be concentrated in semiconductor, automation, office technology and public communication systems, Mr. Kaske said.

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Mazda to Design Small Car for Kia Industrial

TOKYO — Mazda Motor Corp. said Monday that it plans to design a small car with a 1,000-cc to 1,500-cc engine and to supply 120,000 kits per year to Kia Industrial Corp. of South Korea.

Security analysts said they expect Kia to sell the cars to Ford Motor Co. A Mazda spokesman said that the Japanese automaker had no plans to import the cars into Japan, but would consider it in the future.

Mazda has a 5-percent stake in Kia and analysts said that it would increase that share to help finance the new plant. They said Ford, which owns 25 percent of Mazda, also may help.

However, the Mazda spokesman said no agreement on financial help to Kia had been reached.

Under the terms of the sale, Dow Jones will acquire 14.1 million shares, or 32 percent, of \$282.3 million.

Okla Publishing, a closely held Oklahoma City-based company that publishes the Daily Oklahoman and owns radio and television stations through its Gaylord Broadcasting subsidiary, will buy 8.9 million shares, or 20 percent, for \$177.5 million.

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Exco to Sell Telerate for \$459 Million

NEW YORK — Dow Jones & Co. and Oklahoma Publishing said Monday that they will purchase Exco International PLC's 52-percent share of Telerate Inc. for \$459.8 million.

Telerate provides computerized price quotations and other financial information to commercial and investment banks, brokerage and other financial institutions and government agencies.

For the six months ended March 31, Telerate had net income of \$16.8 million on revenues of \$71.5 million. Its shares closed Friday at \$18.625 each on the New York Stock Exchange, up 12.5 cents from Thursday.

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Baxter Labs Has Injected Itself Into Hospital Supply Takeover

(Continued from Page 7)

some duplicate segments would be sold or closed.

Last year Baxter's net income plunged nearly 87 percent, to \$29.1 million from \$218.1 million in 1983, after it took a one-time, \$116.1-million after-tax charge for reducing capacity and revaluing certain assets. Sales dipped slightly, to \$1.80 billion from \$1.84 billion.

Industry analysts echo Baxter's contention that there will be consolidation in the industry. Joel D. Liffmann, a health care industry analyst with Drexel Burnham Lambert Inc., called the proposed Baxter-American combination "conceptually compelling" although he said the merger could initially be "very dilutive" to Baxter's earnings per share. He also said that it could lead to "the largest reduction in manufacturing capacity to date in the industry."

Even if it does not win the battle for American Hospital Supply, Baxter executives said their company could remain competitive.

Nevertheless, Baxter is pressing its bid for American Hospital. At first, Baxter insisted that its offer was friendly and contingent on approval by American's board. However, when American's board re-

jected the bid in favor of the merger with Hospital Corp., Baxter announced that it had lined up \$2.5 billion in credit from 21 banks to pursue the bid.

American said that Baxter, in publicly testing its own bid for American, was conducting a de facto solicitation of proxy votes against the Hospital Corp.-American combination. That would be a violation of Securities and Exchange Commission regulations prohibiting open solicitation of shareholders' votes without filing proxy material with the SEC, American said.

However, a Baxter spokesman said that all of the company's communication had been directed by letter to American's management. He said that once American publicized the first letter, the issue "was in the public domain."

On June 27, Baxter said that it would counter a proposed defensive stock swap by American and Hospital Corp. by simply excluding 39 million newly issued American shares from eligibility to receive \$50 a share in cash and Baxter securities.

Hospital Corp. whose three-month-old "compromise" merger proposal was to be voted on by its shareholders and American's early this month, has threatened to sue Baxter if its offer "discriminates" against any shareholders.

The dispute involves an agreement by American to exchange its 39 million new shares for about 29.3 million shares of Hospital Corp. stock. The defensive maneuver would give Hospital Corp. a stake in American that would be large enough to foil a takeover by a third party.

[Hospital Corp. said Monday]

The Market Likes 'MOB'

(Continued from Page 7)

Last Friday at 84.18/32, while the Treasury-bond delivery ended at 77.29/32. In all, trading volume in the new index futures has averaged 4,500 contracts a day, while the open interest — in effect, the number of contracts available for trading — has grown to nearly 5,000. Both are considered to bode well for the new contract.

In fact, the initial three-month volume of the Chicago Board of Treasury-bond futures, by far the most actively traded of all futures, totaled only 24,700 contracts. Unlike the Treasury-bond futures, the tax-exempt index contracts are settled in cash, as it would be difficult to deliver a corresponding basket of bonds. Treasury-bond futures are settled by the actual delivery of long-term bonds.

The year-to-year increase in producer prices was 5.6 percent, unchanged from May. The year-to-year rise in manufacturers' costs slowed to 2.2 percent in June from 3.2 percent in May.

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Switzerland also has a network of highly-placed under banking officials and other financial advisers who are, on a daily basis, privy to "hot" news and rumors. They are the ones who know the market's pulse and can tell you what's about to happen before the rest of the world.

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.
Via The Associated Press

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6%	5%	4%	3%	2%	1%	0%	0%	0%	0%
12%	10%	8%	6%	4%	2%	0%	0%	0%	0%
14%	12%	10%	8%	6%	4%	2%	0%	0%	0%
16%	14%	12%	10%	8%	6%	4%	2%	0%	0%
18%	16%	14%	12%	10%	8%	6%	4%	2%	0%
20%	18%	16%	14%	12%	10%	8%	6%	4%	2%
22%	20%	18%	16%	14%	12%	10%	8%	6%	4%
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46%	44%	42%	40%	38%	36%	34%	32%	30%	28%
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50%	48%	46%	44%	42%	40%	38%	36%	34%	32%
52%	50%	48%	46%	44%	42%	40%	38%	36%	34%
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98%	96%	94%	92%	90%	88%	86%	84%	82%	80%
100%	98%	96%	94%	92%	90%	88%	86%	84%	82%
102%	100%	98%	96%	94%	92%	90%	88%	86%	84%
104%	10								

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102%	100%	98%	96%	94%	92%	90%	88%	86%	84%
104%	10								

1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	
15	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100
16	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100
17	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100
18	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100
19	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100
20	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100
21	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100
22	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100
23	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100
24	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100
25	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998																																																																																																						

[illegible]

A\$30,000,000 6½ per cent. Guaranteed A\$/DM Bonds due 1987

4	1380	2509	4213	5316	7002	8325	9420	11130	12315	17651	19229	20371	21362	22923	23806	24932	25775	26981	27968	29025
5	1381	2611	4314	5320	7003	8384	9433	11131	12317	17654	19234	20372	21363	22924	23807	24933	25776	26982	27969	29026
6	1382	2617	4320	5327	7004	8385	9434	11132	12318	17655	19235	20373	21364	22925	23808	24934	25777	26983	27970	29027
7	1383	2623	4326	5334	7005	8386	9435	11133	12319	17656	19236	20374	21365	22926	23809	24935	25778	26984	27971	29028
8	1384	2629	4332	5341	7006	8387	9436	11134	12320	17657	19237	20375	21366	22927	23810	24936	25779	26985	27972	29029
9	1385	2635	4338	5348	7007	8388	9437	11135	12321	17658	19238	20376	21367	22928	23811	24937	25780	26986	27973	29030
10	1386	2641	4344	5355	7008	8389	9438	11136	12322	17659	19239	20377	21368	22929	23812	24938	25781	26987	27974	29031
11	1387	2647	4350	5362	7009	8390	9439	11137	12323	17660	19240	20378	21369	22930	23813	24939	25782	26988	27975	29032
12	1388	2653	4356	5369	7010	8391	9440	11138	12324	17661	19241	20379	21370	22931	23814	24940	25783	26989	27976	29033
13	1389	2659	4362	5376	7011	8392	9441	11139	12325	17662	19242	20380	21371	22932	23815	24941	25784	26990	27977	29034
14	1390	2665	4368	5383	7012	8393	9442	11140	12326	17663	19243	20381	21372	22933	23816	24942	25785	26991	27978	29035
15	1391	2671	4374	5390	7013	8394	9443	11141	12327	17664	19244	20382	21373	22934	23817	24943	25786	26992	27979	29036
16	1392	2677	4380	5397	7014	8395	9444	11142	12328	17665	19245	20383	21374	22935	23818	24944	25787	26993	27980	29037
17	1393	2683	4386	5404	7015	8396	9445	11143	12329	17666	19246	20384	21375	22936	23819	24945	25788	26994	27981	29038
18	1394	2689	4392	5411	7016	8397	9446	11144	12330	17667	19247	20385	21376	22937	23820	24946	25789	26995	27982	29039
19	1395	2695	4398	5418	7017	8398	9447	11145	12331	17668	19248	20386	21377	22938	23821	24947	25790	26996	27983	29040
20	1396	2701	4404	5425	7018	8399	9448	11146	12332	17669	19249	20387	21378	22939	23822	24948	25791	26997	27984	29041
21	1397	2707	4410	5432	7019	8400	9449	11147	12333	17670	19250	20388	21379	22940	23823	24949	25792	26998	27985	29042
22	1398	2713	4416	5439	7020	8401	9450	11148	12334	17671	19251	20389	21380	22941	23824	24950	25793	26999	27986	29043
23	1399	2719	4422	5446	7021	8402	9451	11149	12335	17672	19252	20390	21381	22942	23825	24951	25794	27000	27987	29044

Nederlandse Credietbank N.V.
Herengracht 458,
Amsterdam 1002

NEW HIGHS 29			
AmvedBld BrahmEne ChowderSL Crest Macros A Provident Sunbelt WIRET	BonhCh BrownPfor A GoodInv Tr Industs QuadrEne Quacore 9's SuperInd 1	BlvW Sup Canasty Hemphist Industs PCE 126th Quacore w/ TWSMol	Spermor Inc DiamondBath Hormel Mortimer PacSteel Schels Enr UnAirPro
NEW LOWS 13			
Armco CocaCola GenlCom Inc Immation	BeldenBld Flomind MSR Expt	CanOH Gas CocaCola WestsMkt	Damon Oil ICD Inc Crate Inc B

NASDAQ National Market Prices

